

Meeting: CABINET

Agenda Item:

Portfolio Area: Resources



Date: 18 September 2024

1ST QUARTER REVENUE AND CAPITAL MONITORING REPORT – GENERAL FUND AND HRA

KEY DECISION

Author – Veronika Mendy/Keith Reynoldson/Rhona Bellis 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 (GF), Housing Revenue Account (HRA) and Capital 2024/25 net expenditure and seek approval to amend the General Fund, HRA and Capital 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 2024/25 first quarter projected net decrease in General Fund expenditure of £617,420 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

- 2.4 That Members approve the use of additional income from garages of £75,000 to fund responsive garage works within the Capital Garage Improvement Programme (paragraph 4.1.7).

Housing Revenue Account

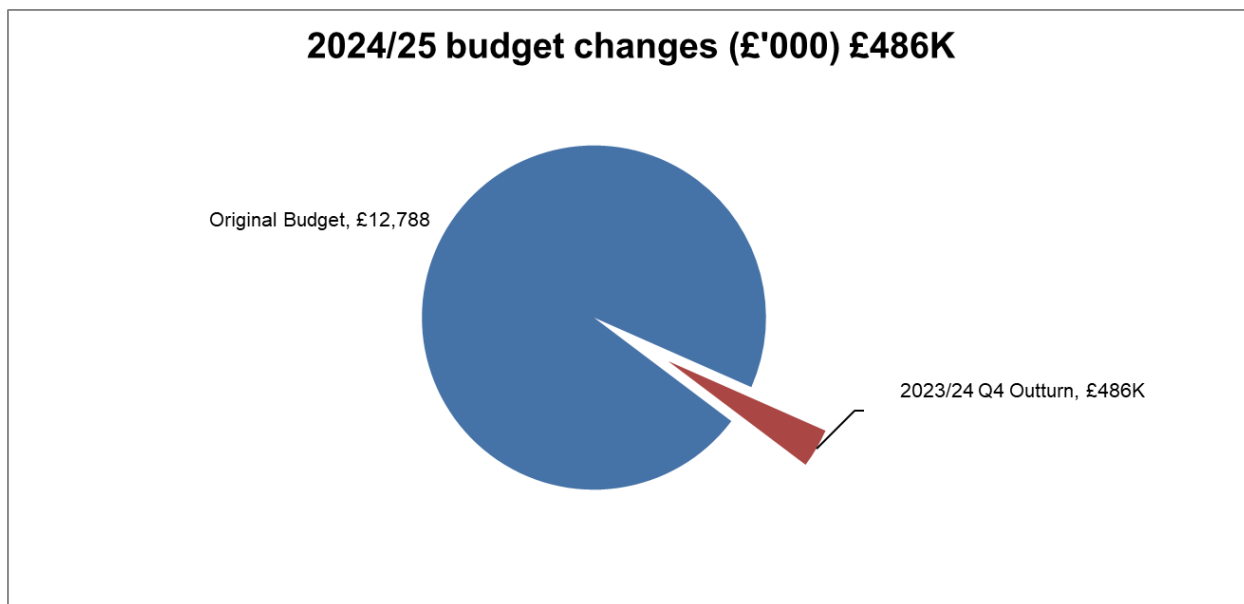
- 2.5 That the 2024/25 1st quarter net decrease in HRA expenditure of £619,620 be approved.
- 2.5 That Members note the cumulative increases made to the HRA net budget remain within the £400,000 variation limit, delegated to the Executive.

Capital Programme

- 2.6. That the General Fund capital budget re-phasing of £5.4Million from 2024/25 to future years be approved.
- 2.7. That the Housing Revenue Account capital budget re-phasing of £22.6Million from 2024/25 to future years be approved.
- 2.8. That the new grant funded budget for the pool cover of £36k be approved for inclusion to the General Fund capital budget in 2024/25, (paragraph 4.8.1).
- 2.9. That an additional £150K be approved to be added to the joint venture budget in 2025/26, (paragraph 4.9.1).
- 2.10. That the new capital budget for essential garage works £75K, funded from revenue contributions, be approved for adding to the General Fund capital budget in 2024/25, (paragraph 4.10.1).
- 2.11. That £20K be added to the Leisure Management capital budget in the General Fund in 2024/25, funded from revenue contributions (£20k) and that the associated virement of £49K from capital budgets within the service be approved, (paragraph 4.10.2).
- 2.12. That the General Fund capital budget virements in paragraph 4.12.1 be approved.
- 2.13. That the Q1 Prudential Indicators in **Appendix C** be noted.

3. BACKGROUND - GENERAL FUND

- 3.1. Since the General Fund net budget of £12,788,410 was approved at February Council, Members have approved net budget changes of £485,600 as detailed in the chart below:

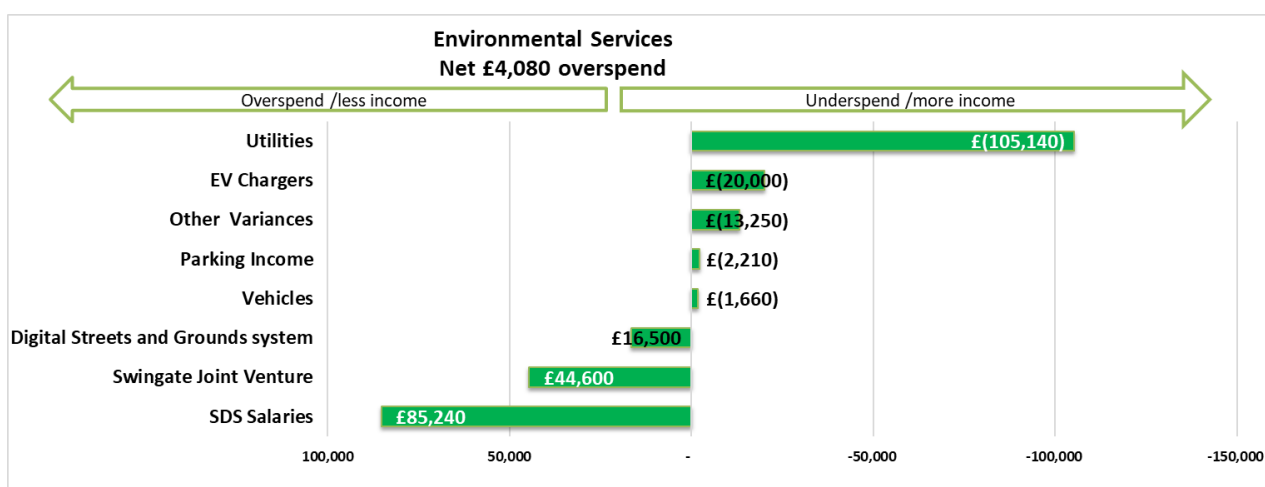


4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 General Fund – Budget Review

4.1.1 Following the first quarter review of the General Fund budgets officers have identified a projected reduction in the forecast budget for the year of £617,420. A significant part of these savings comes from lower utility costs from the leisure contract and Council owned buildings (see paragraphs 4.1.4 and 4.1.10). A detailed analysis is set out below by service area.

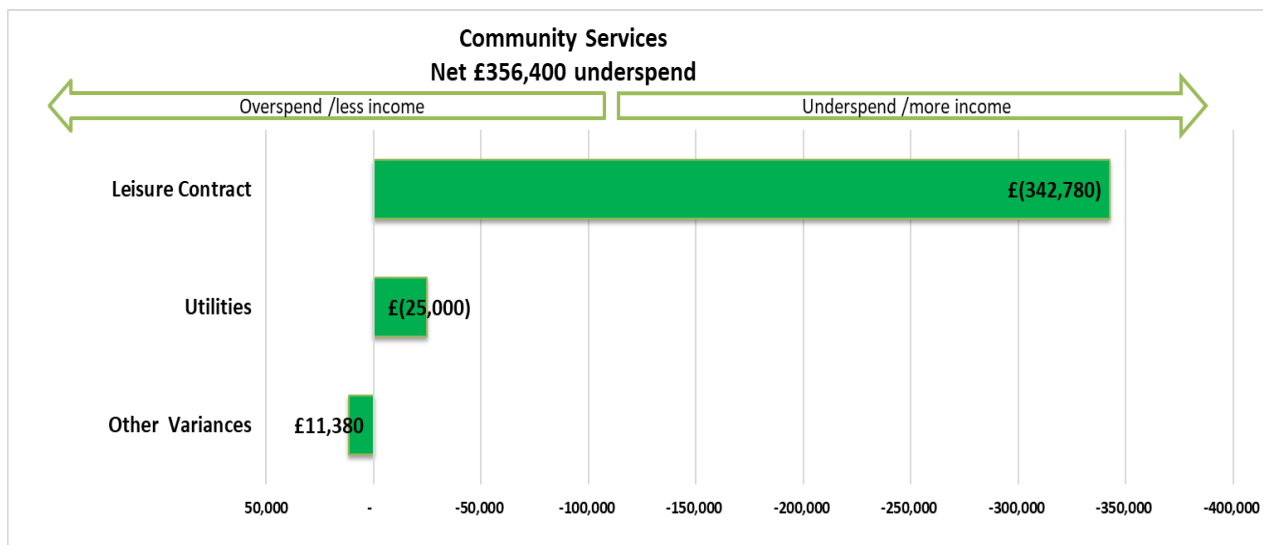
4.1.2 **Environmental Services** is forecasting an increase in expenditure or a decrease in income for 2024/25 of £4,080.



4.1.3 The analysis is detailed below:

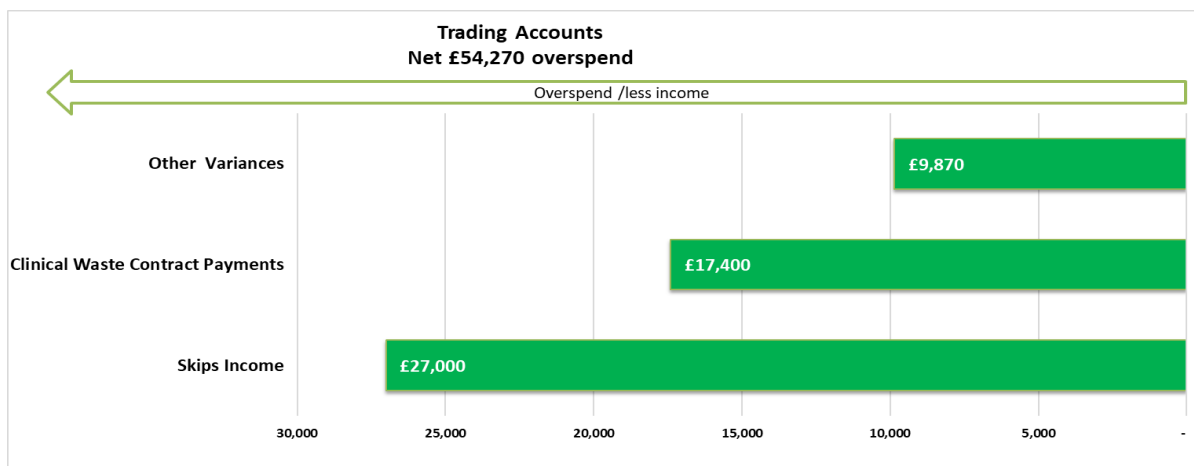
- **Utilities £105K** – information relating to utilities is summarised in paragraph 4.1.10.
- **EV Chargers £20K** – Since introducing EV charging points in the car parks, the Council earns income from their use. Based on the latest information, officers estimate an annual income of £20K, which is now considered an ongoing saving.
- **Other variances £13K** – a combination of small variances across the service.
- **Parking Income £2K** – Is still recovering from the impact of COVID and new working patterns. The budget includes £300K in support from the Medium-Term Financial Strategy for the current year. Off-street parking income is challenging and is projected to have a loss of £136K in-year. However, on-street parking has seen an increase in parking fines due to the deployment of additional traffic wardens. This increase has offset this loss, resulting in a surplus of £2K.
- **Vehicles £2K** – a review of the fuel budgets for the Council vehicles has identified an ongoing saving of £80K. However, this is offset by in-year pressure of £78K from vehicles parts. This increase in cost is due to parts becoming more expensive over the past few years because of inflation, which Council budgets has not been kept up with, and the need for replacement parts for older vehicles. The ongoing pressure is £67K.
- **Digital Streets and Grounds system £16K**– A business case has recently been approved to move from a paper based to a digital system for street cleansing and grounds maintenance, however additional upfront costs are required of £16K over that budgeted. This system will improve the coordination of work in these areas. The goal of the new digital system is to make the service more efficient, accommodate the demands from regeneration projects, and create capacity for commercial opportunities. There are associated projected savings which could be realised in 2026/27 onwards.
- **Swingate Joint Venture (JV) £44.6K**– continuing negotiations with Mace on the creation of a joint venture to start construction of phase 1 of SG1 development have meant further set up costs have been incurred. The JV will generate a return to the Council in 2027/28 on current projections.
- **SDS Salaries / Agency £85K**– The service is currently dealing with several vacancies within Refuse and Recycling, as well as Streets and Grounds teams. Additionally, there have been instances of sickness and annual leave during the quarter, necessitating the use of agency staff. Despite the teams working closely with HR to fill the vacancies and manage sickness, but the nature of work will always require some level of agency to cover for absences. Furthermore, the Grounds team has been significantly impacted by the seasonal grass regrowth, requiring extra workforce to handle the increased workload.

4.1.4 **Community Services** is forecasting a decrease in expenditure or an increase in income for 2024/25 of £356,400. The analysis is detailed below:



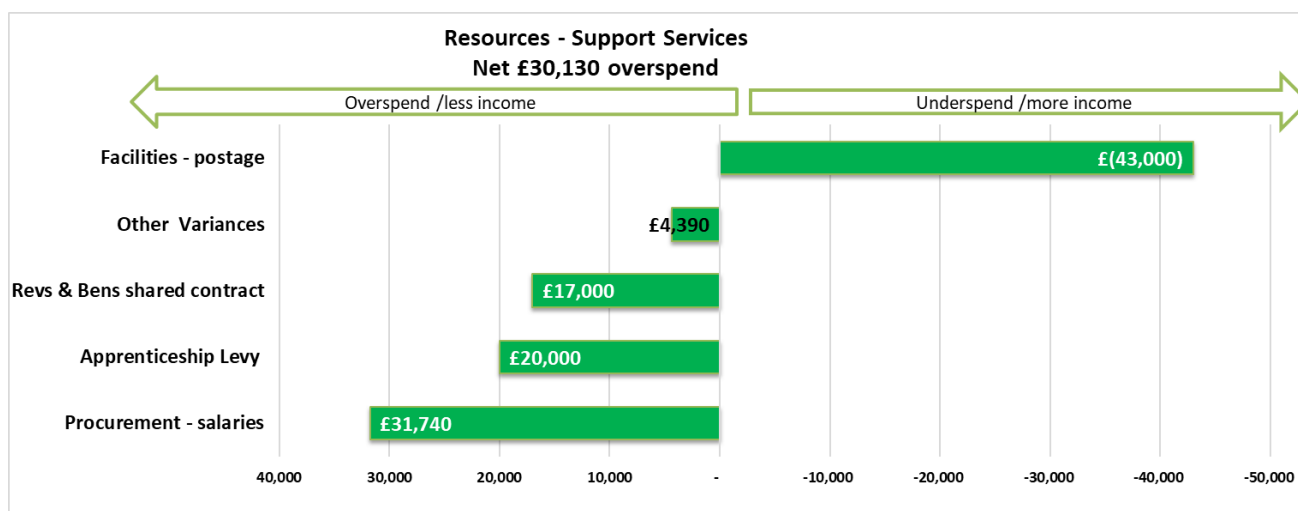
- **Leisure Contract £343K** – When the Council entered into the new Leisure Contract, utility costs were high. The agreement stated that if utility price fluctuated beyond the first 5%, the Council would cover the excess costs, and conversely, would benefit from cost reductions if prices fell. Everyone Active (EA), which manages the Leisure Contract, renewed the utility contract in April. Due to the fall in prices over the last few months, the new contract has resulted in ongoing saving of £343K. There is a request to use £20K of saving to fund additional costs in relation to Leisure capital works as referenced in capital section 4.10.2.
- **Utilities £25K** - information relating to utilities is summarised in paragraph 4.1.10.
- **Other variances £11K** - a combination of small variances across the service.

4.1.5 **Stevenage Direct Trading Account** is forecasting an increase in expenditure or a decrease in income for 2024/25 of £54,270. The analysis is detailed below:



- **Other variances £10K** - a combination of small variances across the service.
- **Clinical Waste Contract Payments £17K** – The Council is statutorily required to provide clinical waste collection (sharps bins) for residents. This service is outsourced to an external company, which collects the materials from the transfer station and disposes of them accordingly. This is an ongoing pressure to cover the associated costs.
- **Skips Income £27K** – The Council’s skips service has been consistently utilised for internal jobs during the first quarter. However, it continues to struggle in the domestic and commercial markets, despite an extensive marketing plan and the introduction of pay-by-weight for commercial customers. A report on skips will be presented to the Commercial and Investment Working Group later this year to determine the future direction of this service.

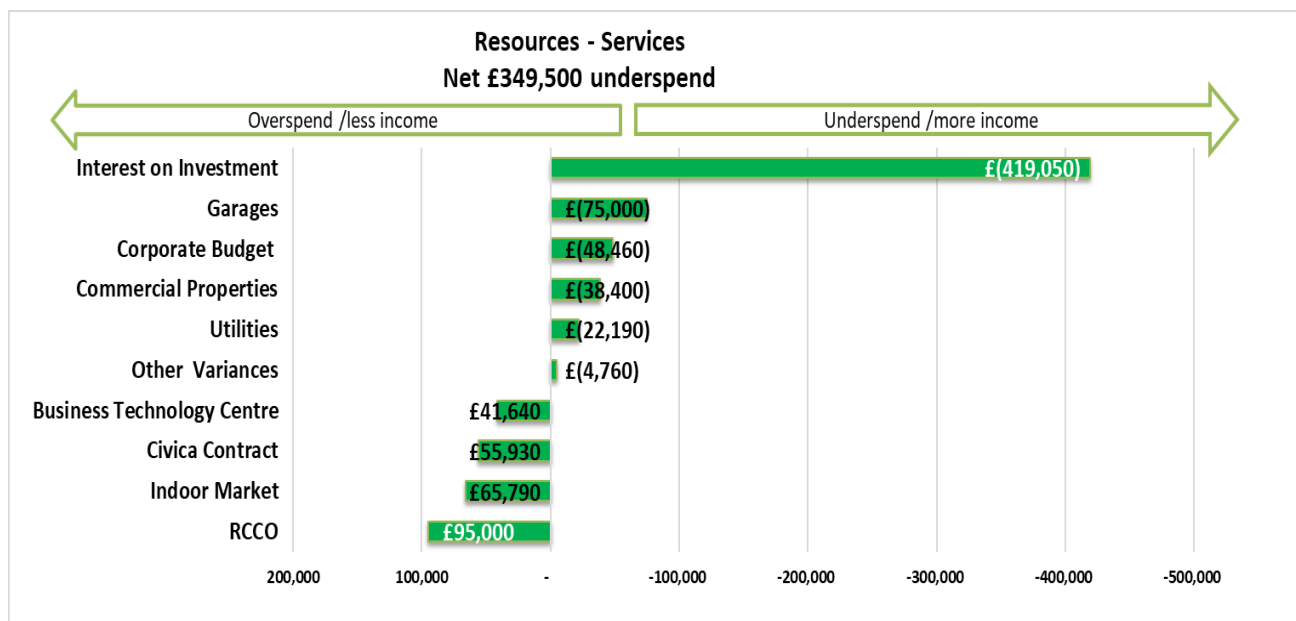
4.1.6 **Resources – Support Services** is forecasting an increase in expenditure or reduction in income for 2024/25 of £30,130. The analysis is detailed below:



- **Facilities – Postage £43K** – Since COVID, the Council shifted to more digital communication with our residents and customers. This change has significantly reduced the use of the franking machine, resulting in on-going saving of £43K.
- **Other variances £4K** - a combination of small variances across the service.
- **Revenues & Benefits Shared Contract £17K** – The most recent projection from the Shared service indicated an ongoing pressure of £153K against the original budget. However, for the current year, a pressure of £17K is forecasted due to vacancies. The 2025/226 ongoing pressure remains at £153K, as the vacancies are expected to be filled before the next financial year.

- **Apprenticeship Levy £20K** – The Council pays a 0.5% of its total salary costs as part of the apprenticeship levy scheme. This financial pressure is due to increased pay over the past few years, directly correlating with pay inflation.
- **Procurement Salaries £32K** – To ensure compliance with the new Procurement Act 2023, which comes into force in October 2024, a temporary staff member has been appointed to assist with implementing changes to the procurement process.

4.1.7 **Resources Services** is forecasting a reduction in expenditure or an increase in income for 2024/25 of £349,500. The analysis is detailed below:



- **Interest on Investment £419K** – Higher than budgeted projected balances and interest rate reductions being slower than estimated has meant an additional income of £291K for the General Fund. In addition, the revised timeline for the Courtlands site from the Wholly Owned Company (WOC) and projected JV for Swingate timeline has resulted in an additional interest from the former and lower internal borrowing in year for the latter.
- **Garages £75K** - Due to the Garage Improvement Programme and proactive marketing strategy, current income projections from the service are expected to exceed the budget target by £75K. Members are requested to approve the use of the additional income to fund responsive garage works within the capital Garages Improvement Programme, as referenced in section 4.1.12.
- **Corporate Budget £48K** – A review of all General Fund salary budgets identified savings of £48K based on the current staff in post.

- **Commercial Properties £38K** – Recent rent reviews have generated additional rental income for the Council on top of what was already increased from the Balancing the Budget options for 2024/25. Successful rentals of Play Centres, newly added to the commercial property portfolio, also contributed to the projected additional income.
- **Utilities £22K** – information relating to utilities is summarised in paragraph 4.1.10.
- **Other Variances £5K** – a combination of small variances across the service.
- **Business Technology Centre £42K** – The latest projection from the managing company suggests lower than budgeted income levels. There is an ongoing review of the budgeted target to assess achievable income levels which has seen an increase in utility and other costs.
- **Civica Contract £56K** – The Council is set to renew its cash management system in February 2025 using a framework agreement. There will be a one-off in-year cost of £56,930 for implementation and annual fees, following seven years without any inflationary increases. The ongoing cost pressure for 2025/26 will be £26,120.
- **Indoor Market £66K** – Continued pressures within the Indoor Market are due to several larger stallholders terminating their leases, increasing void rates to around 46% as of June 2024.
- **Revenue Contribution to Capital (RCCO) £95K** – information relating to RCCO is summarised in paragraph 4.1.11.

4.1.8 The cumulative changes made to the General Fund net budget as agreed at Council (July 2024) remains within the £400,000 increase variation limit delegated to the Cabinet.

Executive Delegation - General Fund	£'000
Original Net General Fund Budget	12,788
Approved Budget Changes at July Cabinet	486
Revised GF Budget agreed	13,274
Quarterly monitoring Q1	(617)
Updated GF Budget	12,657
Within Executive Delegated Limit	1,017

4.1.9 **Other Pressures – Pay Inflation.** The budgeted pay award was based on 3.5% increase. The employers offer of £1,290 per employee up to spinal point 43 and 2.5% for above. This would represent slight saving against 3.5% pay award budgeted for 2024/25 of £22K. This has been rejected by the unions.

4.1.10 **Utilities** – the utility contract pricing is determined on the 1 April each year and for the larger usage buildings such as Daneshill, Cavendish etc. on the 1 October annually. Since the budget was approved projected increases in utility prices have reduced and the forecast for the renewal at the 1 October is lower than budgeted and provides a forecast in-year saving. An update will come back in quarter 2 with latest forecast for the October rates including the recent Ofgem’s energy price cap from October.

Service Area	Utility Savings
Resources - Services	(22,190)
Community Services	(25,000)
Environmental Services	(105,040)
	(152,230)

Revenue Contribution to Capital (RCCO)

4.1.11 As set out in the above paragraphs there was an underspend to the working budget which has allowed for the following two budgets to be used to fund capital schemes as follows:

- **Garages £75K** new capital bid to fund works to existing garages to ensure the Council is maximising its income stream from garage lets. This can be funded from garage income that has exceeded budget in-year as reported in paragraph 4.1.7.
- **Leisure £20K** to fund the costs arising to the end of the last Leisure contract in relation to capital works. This is summarised in more detail under capital section 4.10.2.

4.2 Review of General Fund Balances

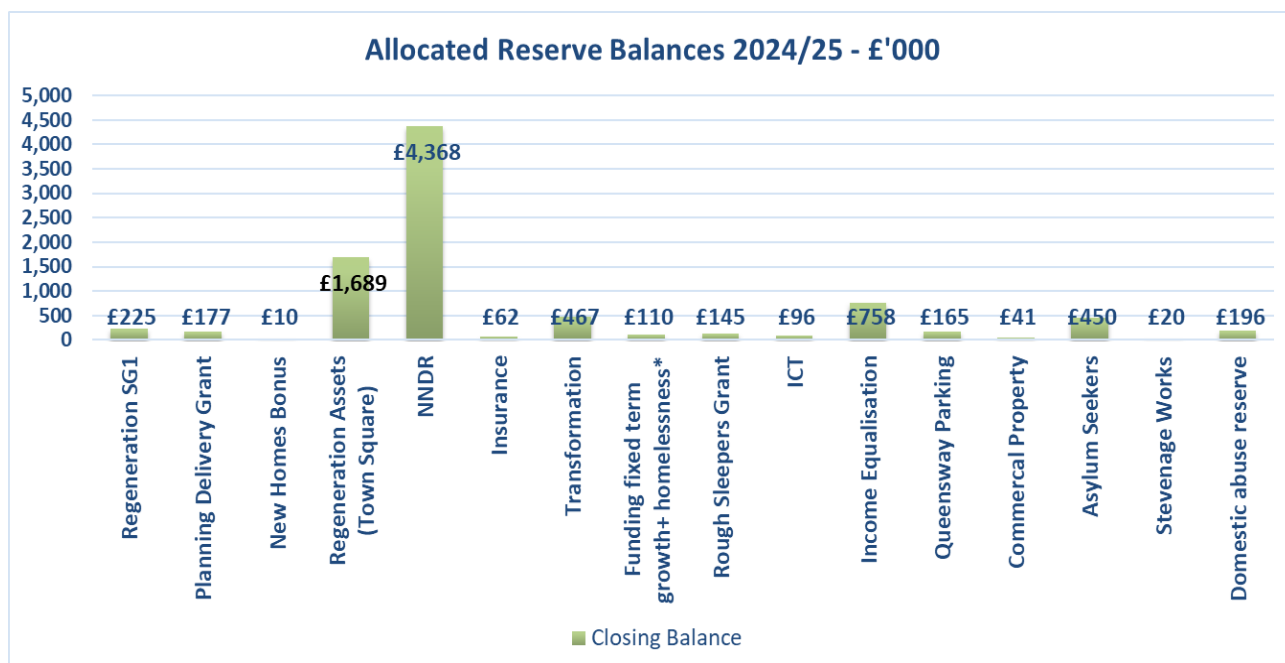
4.2.1 **Allocated Reserves** - these balances are ‘ring fenced’ and have been set aside for specific purposes. The estimated total value of (revenue) allocated reserves as at 31 March 2025 is **£9,045,960** (31 March 2024, £8,758,063). During quarter one, the following movement between reserves have been recommended.

Reserves	Q1 To Be Approved
Regeneration SG1	(100,000)
Town Square	(37,470)
NNDR Reserve	(123,492)
Transformation	(226,720)
ICT reserve	9,212
Total	(478,470)

*() represents movement to reserves

- **Regeneration SG1** – Transfer to reserves based on the latest phasing of expenditure for the year, reflecting the current work activity of the Regeneration team.
- **Town Square** – Transfer to reserves from the savings identified, based on the latest utility projections for the year.
- **NNDR Reserve** – Transfer to reserves based on the latest interest cost projections for the equity share in the Swingate Joint Venture.
- **Transformation** – forecast transfer to reserve for the year based on the latest transformation activity profile for 2024/25.
- **ICT reserve** transfer from reserves based on the latest projections for the year.

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 1st quarter review the General Fund balance as at the 31 March 2025 is now forecast to be £5,425,212.

General Fund Balances	£'000
Original Net General Fund Budget	12,788
Approved budget changes	486
Net Working budget approved to Date	13,274
1st Quarter Review	(617)
Total Net Expenditure post Q3 review	12,657
Less core resources at Budget Setting Report	(12,778)
Transfer (to)/from General Fund balances	(122)
General Fund balance 31/3/24	(5,303)
Transfer (to)/from General Fund balances	(122)
Projected General Fund balance 31/3/25	(5,425)
Allocated Revenue Reserves (Paragraph 4.2.1)	(9,046)
Total General Fund Revenue balances (estimated 31/3/25)	(14,471)

- 4.3 **Review of Savings** – As part of the 2024/25 budget setting, the Council agreed savings of £1.224Million. The table below represents the RAG rated delivery of those schemes.

Target	RAG		% of Target
1,223,880	Delivering	1,218,880	100%
	Delay in delivery	-	0%
	Not achieving	5,000	0%
1,223,880		1,223,880	

- 4.3.1 Successful delivery of schemes is projected based on the 1st Quarter expenditure position. A single scheme is not projected to meet its saving target of £5K from the reduction in car parking running costs. This is due to the unexpected costs incurred to cover the replacement of old equipment. It is expected to start making savings from 2025/26.
- 4.3.2 The following items below are Balancing the Budget options that have been included into the Medium-Term Financial Strategy report that is also on this agenda as part of the budget process for 2025/26. The net cost reductions identified in this report reduce the 'Balancing the Budget' savings required by £423K if approved as part of the MTFS report.

BALANCING THE BUDGETS 2025-26 OPTIONS	£
SAVINGS	
Utilities - Leisure (paragraph 4.1.4)	342,780
Utilities - GF (paragraph 4.1.10)	152,230
Vehicles (paragraph 4.1.3)	12,660
Corporate Budgets (paragraph 4.1.7)	48,460
Postage (paragraph 4.1.6)	43,000
EV Chargers (paragraph 4.1.2)	20,000
Bank Charges*	20,000
TOTAL SAVINGS	639,130
GROWTH	
Revenues & Benefits (paragraph 4.1.6)	152,840
Civica Contract (paragraph 4.1.7)	26,120
Collection of Clinical Waste (paragraph 4.1.5)	17,400
Apprenticeship Levy (paragraph 4.1.6)	20,000
TOTAL GROWTH	216,360
NET BTB OPTIONS	422,770

*Bank Charges – An external review was conducted to assess the current charges. This review identified opportunities for the Council to reduce costs while maintaining the same level of service, resulting in an ongoing saving of £20K starting in 2025/26

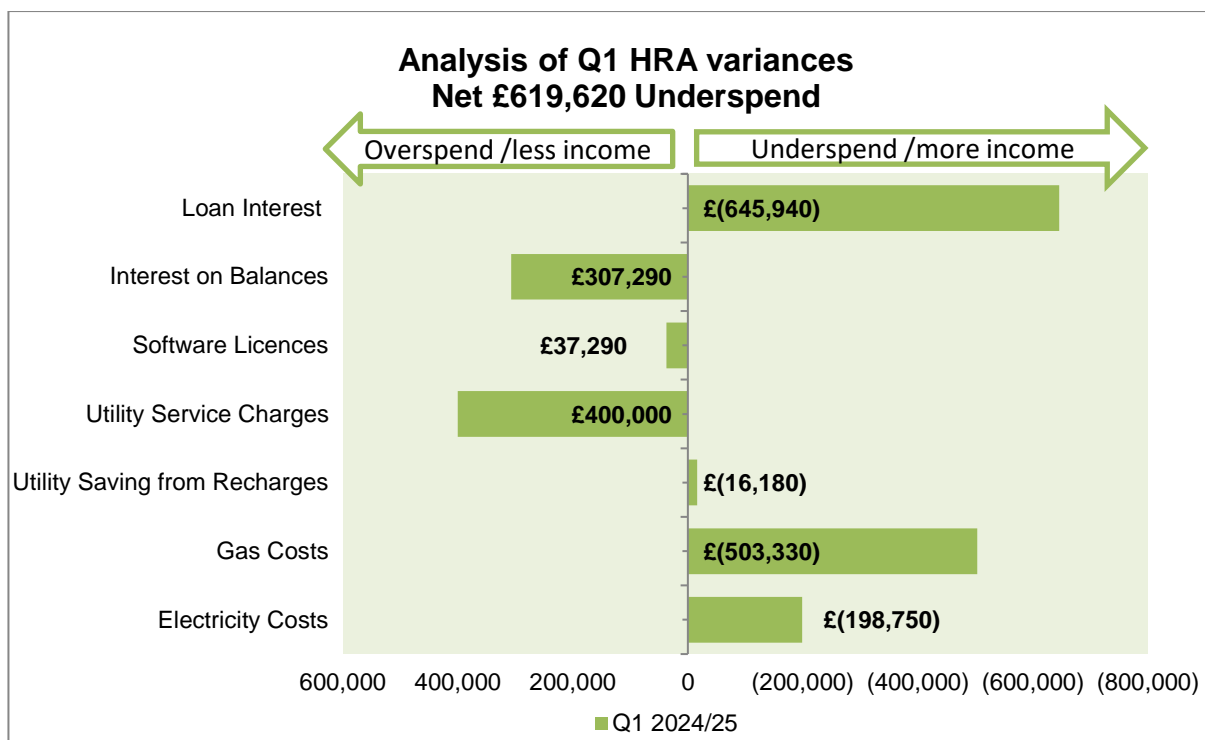
4.4 Housing Revenue Account

4.4.1 Since the Housing Revenue Account (HRA) net budget deficit of £261K was approved at Council in January 2024, Members have further approved net changes of £2.481Million shown in the following table.

HRA Working Budget	£'000
Original Budget 2024/25	261
23/24 Q4 Carry Forwards	47
23/24 Q4 New Budget Pressures for 24/25	2,434
Total Working Budget	2,743

4.5 Housing Revenue Account - Budget Review

4.5.1 Following the 1st quarter review of revenue budgets officers have identified and projected the following budget movements.



4.5.2 Loan Interest (£646K). Due to changes on the timing of taking loan finance for the HRA, there is a projected underspend on loan interest payments in 2024/25 of £846K. The unallocated saving target of £200K that was included in the budget has been offset against this to give a net saving in the HRA of £646K. This is not an ongoing saving and the future impact of loan finance will be modelled and reflected in the Medium Term Financial Strategy (MTFS) that will be presented to Cabinet in October. This will also reflect the ongoing savings targets required to balance the account. This area will continue to be monitored throughout the year and where conditions are favourable the timing may need to change again to secure the best interest rates for the Council. Any further changes will be reported in the following quarters.

4.5.3 Interest on Balances £307K. The latest projection for interest on balances, based on anticipated interest rates and level of reserves in the HRA, has seen a reduction of £307K for 2024/25. While interest rates are slightly higher than anticipated (paragraph 4.1.7), budget changes agreed as part of the Q4 report of £2.4M and other projections on the level of balances have resulted in a reduction in interest for the year.

4.5.4 Software Licence Fees £37K. as reported at paragraph 4.1.7, the Council is due to renew its current cash management system with Civica in February and this has resulted in an additional in year cost of £37K for the HRA's use of the system. Any ongoing increase in costs will be included in future budget proposals.

4.5.5 Net Utility Savings £318K. In paragraph 4.1.10 utility cost savings have been identified in the General Fund that are also reflected in the HRA. However, as some of the costs in the HRA are recovered through service charges to our customers this has also been adjusted. The changes are:

- Gas (£503K) – the original budget was reduced from 2023/24 to 2024/25, but latest estimates of contract prices indicate that a further significant reduction is likely. However, this will continue to be monitored for both usage and to reflect the new contract prices set to be agreed in October for the coming winter period.
- Electricity (£199K) – prices for electricity supply have also fallen since the original estimates were made and this has resulted in the £199K saving. As with the gas budgets this will need to be monitored over the year to reflect usage as well as price.
- Recharge Savings (£16K) – the HRA is also projected to have reduced recharges for office accommodation due to the overall reduction in utility costs and this has resulted in a £16K saving.
- Service Charge Reductions £400K – as some of the utility costs within the HRA relate directly to service charges, these have been reduced by £400K at Q1. This is an estimate at this time and will need to be monitored during the year to reflect actual charges, as they are incurred.

This area can be fairly volatile, with prices linked to international events and usage for gas linked to the severity of the winter. Therefore, further projections are likely to be incorporated in future reports.

4.6 Housing Revenue Account Balances

4.6.1 Following the 1st quarter review the HRA balance is now forecast to be £8.5Million. This is below the recommended level of balances agreed in the last business plan, as additional resources are now required to meet new regulatory requirements and increased repairs costs. These changes were agreed by Council as part of the outturn report for last year. The minimum balance on the HRA was increased in the last plan, as the potential for increased costs was anticipated and some of that additional reserve has been needed in the current year. Options to balance the account and bring balances back in line with the business plan will be brought forward as part of the MTFs review for next year's budget.

Housing Revenue Account Outturn Position	£'000
Working Budget – Cabinet 24th July 2024	2,743
1st Quarter Net Projected Underspend	(620)
Projected net Deficit post 1st Quarter review	2,123
HRA balance brought forward 1/4/24	(10,625)
Deficit in year	2,123
Projected HRA balance 31/3/2025	(8,502)
Remaining Cabinet Delegated Limit	1,020

4.6.2 The underspends at Q1, combined with the delegated cabinet limit of £400K, allow for a further £1.020Million adjustment to the HRA budget in future monitoring reports.

4.7. Capital Monitoring

4.7.1. The latest revised capital strategy (Q4) was approved by Cabinet on 24 July 2024. The 2024/25 approved budget for each fund was:

- General Fund £44Million
- Housing Revenue Account £60Million

4.7.2. The table below summarises the Capital programme 2024/25 and the proposed rephasing of capital budgets at Q1 into future years.

£000	2024/25				2025/26		2026/27	
	Actual & Committed Spend Q1	Capital Strategy Q4	Revised Strategy Q1	Variance Q4 v Q1	Re-phased Q1	Revised Strategy	Re-phased Q1	Revised Strategy Q1
Total GF Schemes	4,195	44,023	38,607	(5,415)	5,272	22,106	143	1,904
Total HRA Schemes	5,903	60,280	37,673	(22,607)	22,607	79,066	0	35,939
Total Capital Programme	10,098	104,303	76,280	(28,022)	27,879	101,172	143	37,843
<i>Re-phase detail:</i>								
Stevenage Direct Services				(310)	310		0	
Housing Development				(800)	800		0	
Regeneration				(4,280)	4,137		143	
Planning and Regulatory				(25)	25		0	
Total GF Re-phasing				(5,415)	5,272		143	
New Build (Housing Development)				(22,607)	22,607		0	
Total HRA Re-phasing				(28,022)	27,879		143	

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.

4.7.4. Forecasting spend during the year involves making assumptions about future events that may be out of the control of service managers e.g. Weather, thus re-phasing is a normal part of capital monitoring.

4.7.5. General Fund – re-phasing £5.4Million - the main items are explained below:

- Stevenage Direct Services £310K -
 - Roof on the residual waste bay Cavendish £150k - whilst works are ongoing to the support the structure, this project cannot commence. It is now anticipated that this is not likely to take place this year and the budget has been slipped to 2025/26.

- Delays to the new housing development for the west of Stevenage had resulted in the budget allocation for new receptacles (for the new rounds) being slipped now to 2025/26.
 - Kenilworth £800K – Following residents moving into Brodie Court during August from Walpole Court, work has been delayed on the demolition of Walpole Court due to delays from statutory suppliers disconnecting utilities. Demolition of the existing block is now not likely to be completed until October 2024. This will impact the forecast spend for the year, as the new build construction cannot commence until demolition has concluded.
 - Regeneration – Joint Venture (JV) (Mace) £4.3Million – the financial phasing is being agreed which has meant a re-profiling of when monies will be required as the Council equity stake in the JV. The current programme shows the equity of £9.3Million will be returned to the Council in 2027/28. Internal borrowing will be used to bridge the funding gap.
- 4.7.6. HRA – re-phasing £22.6Million – the main items are explained below:
- New Housing Development –
 - March Hare £1.1Million - Herts County Council acting as the Lead Local Flood Authority are experiencing capacity issues with their appointed contractor, therefore pre-commencement conditions at the scheme have yet to be discharged causing a delay to the Programme forecast spend. This should be resolved in the near future.
 - The Oval £2Million - The scheme has achieved a huge milestone in being granted both an outline and detailed planning consent for the phased delivery of a new mixed-use scheme. However due to the delay caused by national elections to the planning and committee cycles there is a postponement to carrying out preparatory works to commence on site and the projected spend. The balance of £2Million is, now being re-phased to 2025/26.
 - New Build Programme £19.5Million - The proposed successful bidder, has opted to withdraw, with mutual consent from the scheme due to a change in their ownership since initially tendering for the opportunity because the scheme no longer fits into their template portfolio of delivering low rise developments. Whilst work has begun to appoint an alternative contractor, the volume of spend anticipated to take place in 2024/25 has therefore been adjusted. The scheme has grant funding attached to it, and currently discussions with Homes England have been positive in terms of retaining the grant allocation and they have expressed confidence in both the scheme and the Council to engage a new development contractor.
- 4.7.7. The total Capital Programme, detailing all programmes with the relevant approval to spend, is detailed in Appendix A (GF) and B (HRA). It shows the revised budget position.

4.8. New Growth – Grant funded

- 4.8.1. Funding of £36K has been granted by Sports England to fund a pool cover at the leisure centre. Approval is requested to add this budget to the General Fund capital programme to allow the work to proceed. This equipment will enable utility cost reductions which will feed back to the council through the profit sharing arrangement the council has with the leisure contractor.

4.9. New Growth – Joint Venture

- 4.9.1. The capital cost budget for the joint venture with Mace at Swingate, has been revised as increased cost pressures over the period of negotiation have been included in the business plan modelling. As a result approval is requested for an additional £150,000 to be added to the budget in 2025/26, funded initially by internal borrowing in the short term and eventually funded by capital receipt from the joint venture profiled for 2028/29.

4.10. New Growth – Funded from Revenue Contributions

- 4.10.1. **Essential garage capital works £75K** – essential works have been identified by the service which fall outside the Garage Improvement Project and have no relevant capital budget. These costs have arisen in the past and been mitigated using other capital budgets, but there is no capacity to mitigate the pressure in-year. This report recommends the use of £75K of garage income to fund capital works in 2024/25.

- 4.10.2. **Leisure Capital Works £70K** - costs arising in relation to the end of the last leisure contract have exceeded budget by £70K, approval is requested to vire £50K from KC248 (the stock condition budget) and also to fund the remaining gap of £20K from leisure revenue savings in 2024/25.

4.11. Virement Approved for note

- 4.11.1. A virement was approved by the CFO to move £46k from the deferred works reserve to SLAC to cover the cost of replacing a lighting desk used during theatre productions. The replacement of the lighting desk became urgent due to failures in July. This work was undertaken when the theatre was closed in August. The balance remaining on the deferred works reserve after the virement is £446,510.

4.12. Virements for Approval

- 4.12.1. **Thermal Image Cameras Cavendish (KE927) - £60,000**, the thermal camera project is a few years old and the original design required 4 cameras. The brief has now changed, with two additional cameras required to cover new vehicles (value - £30K each) and a battery store. The additional costs are £55k for the cameras plus the cabling for the entire job (previously not included in the budget). Approval is requested for the virement below to enable works to commence.

Original budget £80,000, budget requirement £140,000, additional pressure £60,000. To be funded from two budgets that are no longer required:

- KE559 Indoor Market guttering £20,000 and;
- KE536 MSCP Emergency Lighting £40,000

4.12.2. Domestic Recycling Collection Vehicles (KE598) - £172,548.

The working budget for the acquisition of domestic recycling collection vehicles was £734,996, however, due to the current prices of these vehicles (£907,544) following inflationary pressures, the budget now needs to increase by £172,548. The service has identified budgets that can be slipped, plus savings to mitigate this pressure as below. An Officer Key Decision was approved by Strategic Director in August after consultation with the Portfolio Holder and Chair of Overview & Scrutiny to proceed with the purchase of the four refuse and recycling freighters. The balance that cannot be identified from within the service is vired from the deferred works reserve. This will leave that reserve with £427K.

- KE423 Vehicle Replacement KE008 ACU £12,000, existing vehicle life to be extended, although a replacement will be needed within the next two years;
- KE512 Vehicle Replacement LK08 PVT – £105,110, no longer certain that this vehicle is needed. If required a new growth bid will be submitted in the future;
- KE938 Mobile Elevated Work Platform £16,150, saving against budget on procurement;
- Additional capital receipts from vehicle sales £20,000;
- KR911 Deferred works reserve £19,288, balance of budget required.

4.13. Capital Financing

4.13.1. The table below sets out the change in the Capital Financing position since Q4, as a result of changes to the expenditure phasing and virements discussed above.

£000	2024/25				2025/26		2026/27	
	Actual & Committed Spend Q1	Capital Strategy Q4	Revised Strategy Q1	Variance Q4 v Q1	Re-phased Q1	Revised Strategy	Re-phased Q1	Revised Strategy Q1
Total Capital Programme	10,098	104,303	76,280	(28,022)	27,879	101,172	143	37,843
<i>Changes detail:</i>								
Short Term Borrowing				(5,360)	5,374		143	
Other				(55)	(102)		0	
Total GF Financing changes				(5,415)	5,272		143	
Borrowing				(12,275)	12,275		0	
Direct Revenue Financing				(1,944)	1,944		0	
Grants				(8,333)	8,333		0	
Other				(55)	55		0	
Total HRA Financing changes				(22,607)	22,607		0	
Total Capital Financing				(28,022)	27,879		143	

4.14. Capital Receipts Forecast

4.14.1. A key recommendation from the June 2020 MTFS COVID recovery report was that a pipeline of land disposals be identified from Locality Reviews to help maintain the resilience of General Fund balances. This strategy continues and along with other property sales and housing development receipts support the delivery of capital projects.

4.14.2. The tables below summaries the current capital receipts forecasts for the General Fund.

Locality Receipts £000	Previous Forecast	Revised Forecast/Actual	Variance
Year 2024/25 Forecast	1,248	866	(382)
Year 2025/26 Forecast	300	545	245
TOTAL	1,548	1,411	(137)
Other Capital Receipts £000	Previous Forecast	Revised Forecast/Actual	Variance
Year 2024/25 Forecast	5,694	6,944	1,250
Year 2025/26 Forecast	250	250	0
Year 2026/27 Forecast	12,390	12,390	0
TOTAL	18,334	19,584	1,250

4.14.3. Until sold, the value of land sales can fluctuate from the forecast as can be seen in the overall reduction in the forecast value of locality review sales above. This relates mainly to a parcel of land marketed recently which attracted lower than anticipated bids. The property will be remarketed, but for prudence the value has been lowered given that the original estimate may now be unachievable. Proposals for further garage sales will be reported to members separately. Other capital receipts includes those associated with housing development and regeneration.

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 2024/25 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.

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

BD2 – Council Tax Setting Report 2024/25 and Final Capital Strategy 2023/24-2028/29 (Council 21 February 2024)

BD3 – 4th Quarter Monitoring Report General Fund, Housing Revenue Account, Capital, and Group Companies 2023/24 (Executive 24 July 2024)

Appendices

- A - General Fund Capital Strategy
- B - HRA Capital Strategy
- C - Q1 Performance Indicators