

**Meeting:** CABINET

**Agenda Item:**

Portfolio Area: Resources



**Date:** 13 November 2024

**2<sup>ND</sup> QUARTER REVENUE AND CAPITAL MONITORING REPORT – GENERAL FUND AND HRA**

**KEY DECISION**

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**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 second quarter projected net decrease in General Fund expenditure of £292,080 be approved.
- 2.2 That Members note the proposed movement on reserves as detailed in paragraph 4.2.1
- 2.3 That Members approve the a revenue contribution to capital for garages of £104,870 to fund works within the Capital Garage Improvement Programme (paragraph 4.1.2).

**Housing Revenue Account**

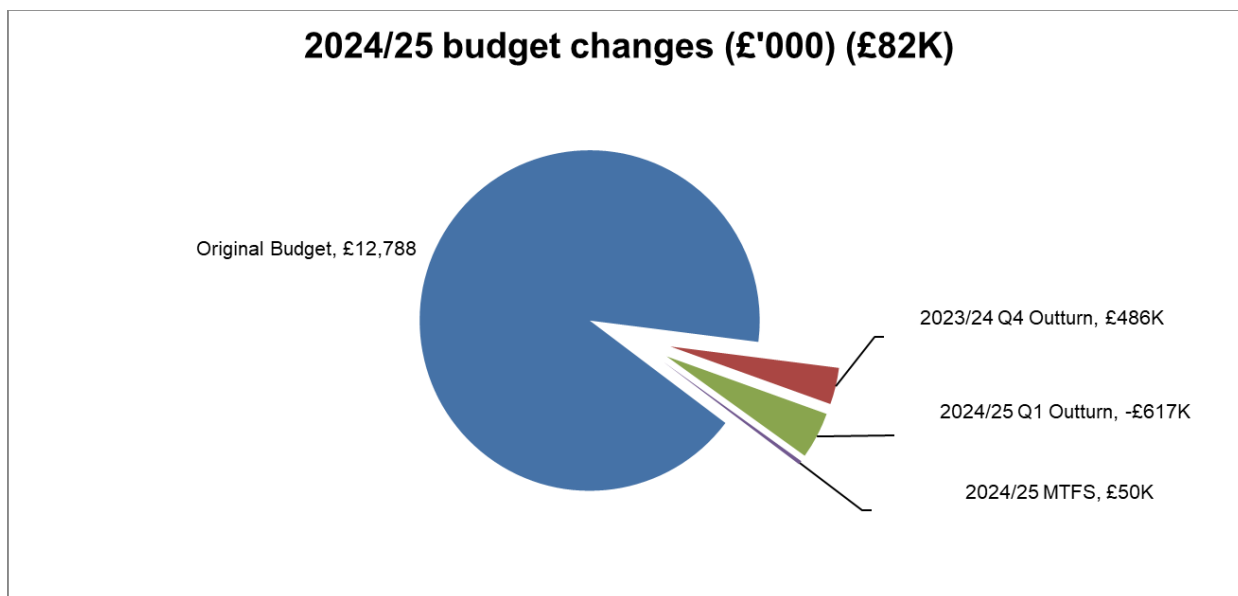
- 2.4 That the 2024/25 second quarter net decrease in HRA expenditure of £4,129,020 be approved.

**Capital Programme**

- 2.6. That the General Fund capital budget re-phasing of £13Million from 2024/25 to future years be approved.
- 2.7. That the Housing Revenue Account capital budget re-phasing of £3.4Million from 2024/25 and £6Million from 2025/26 to future years be approved.
- 2.8. That the budget of £94.6K for remedial works, funded by developers' contributions and £599K for the new spur road as part of Swingate works, funded by One Public Estate be noted (paragraphs 4.8.1 and 4.8.2).
- 2.9. That the General Fund capital budget virements in paragraph 4.9 be approved.

**3. BACKGROUND - GENERAL FUND**

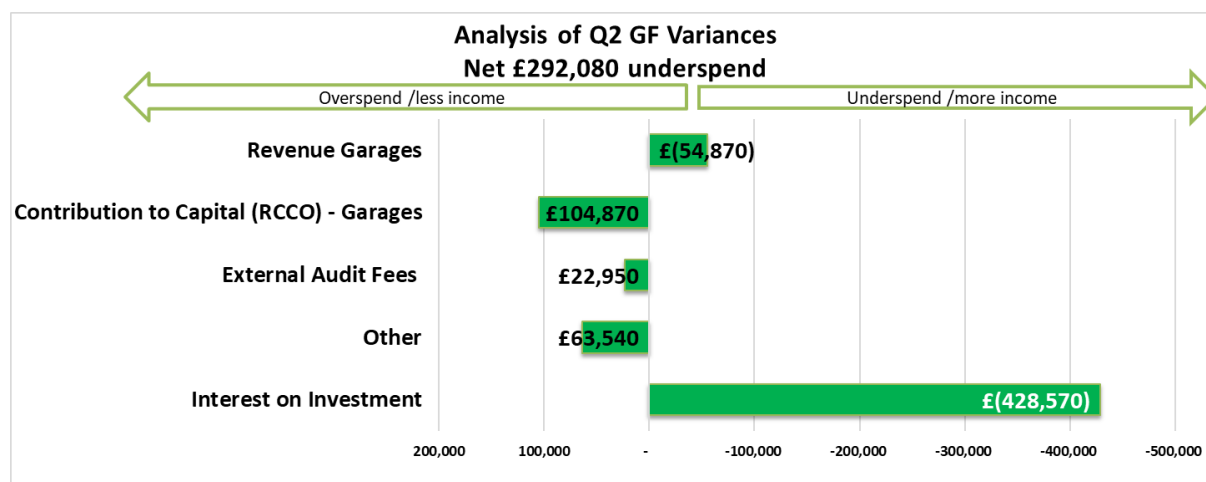
- 3.1. Since the General Fund net budget of £12,788,410 was approved at February Council, Members have approved net budget changes of £81,820 as detailed in the chart below:



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

### 4.1 General Fund – Budget Review

4.1.1 Following the second quarter review of the General Fund budgets officers have identified a projected decrease in the forecast budget for the year of £292,080.



4.1.2 The primary reasons for the underspend are detailed below, with a full analysis of less significant variances available in Appendix A:

- Revenue Garages £55K** - The latest forecast shows an additional £179K in rental income for garages this year, against an original budget of £3.835 million which was reduced by £86K for impact on asbestos garage. In the Quarter 1 report (to September Cabinet), an extra £75K in income was reported. The Chief Finance Officer approved a budget virement of £50K during October for additional garage repair works. Quarter 2 is reporting additional £55K of income. This surplus is attributed to improved occupancy rates, with only 7.5% of garages vacant at the end of September.
- Contribution to Capital (RCCO) Garages £105K** – The latest forecast for capital repair works, including doors, facias, and soffits, shows an additional £105K pressure. These repairs are essential to keep the garages usable, but the number of repairs needed has increased due to the age of the garages, higher occupancy rates, and weather conditions over the past year.
- External Audit Fees £23K** – The Council has been notified that External Audit Fees for 2024/25 will increase (following consultation) by the Public Sector Audit Appointments (PSAA) to cover additional audit work required under revised auditing standards and a contractual inflationary increase for 2024/25. This is on top of the 2% increase included in the 2024/25 Original budget.

- **Other variances £64K** – A breakdown of these smaller variances can be found in Appendix A.
- **Interest on Investment £429K** – The increase in interest is a result of two factors. Firstly, an increase in expected investment interest of £316K due to higher projected average levels of balances based on the latest quarter two year-end projections. This is because capital schemes have been reprofiled, resulting in more cash available for investment than initially projected at the beginning of the year. Additionally, interest rates have remained higher for longer than forecasted based on market assumptions when the budgets were agreed back in February.
- Secondly, a reduction in the external interest budget of £113K because internal borrowing is currently being used to fund capital General Fund projects. Any loss of interest earned on those balances has netted down the interest on investment balances above.

4.1.3 The cumulative changes made to the General Fund net budget, remain within the £400,000 increase variation limit delegated to the Cabinet.

Executive Delegation - General Fund	£'000
<b>Original Net General Fund Budget</b>	<b>12,788</b>
Previously approved Budget Changes	(82)
<b>Revised GF Budget agreed</b>	<b>12,707</b>
Quarterly monitoring Q2	(292)
<b>Updated GF Budget</b>	<b>12,415</b>
<b>Within Executive Delegated Limit</b>	<b>692</b>

4.1.4 **Other Pressures – Pay Inflation.** The budgeted pay award was based on a 3.5% increase. However, the current pay offer, which has now been accepted by the unions, is a £1,290 increase per employee up to spinal point 43 and 2.5% for those above. This would result in a saving of approximately £49K against the budgeted pay award of £758K for 2024/25. This has currently not been included in the Quarter 2 updated position and the final figures will be updated for Quarter 3 once pay award has been paid.

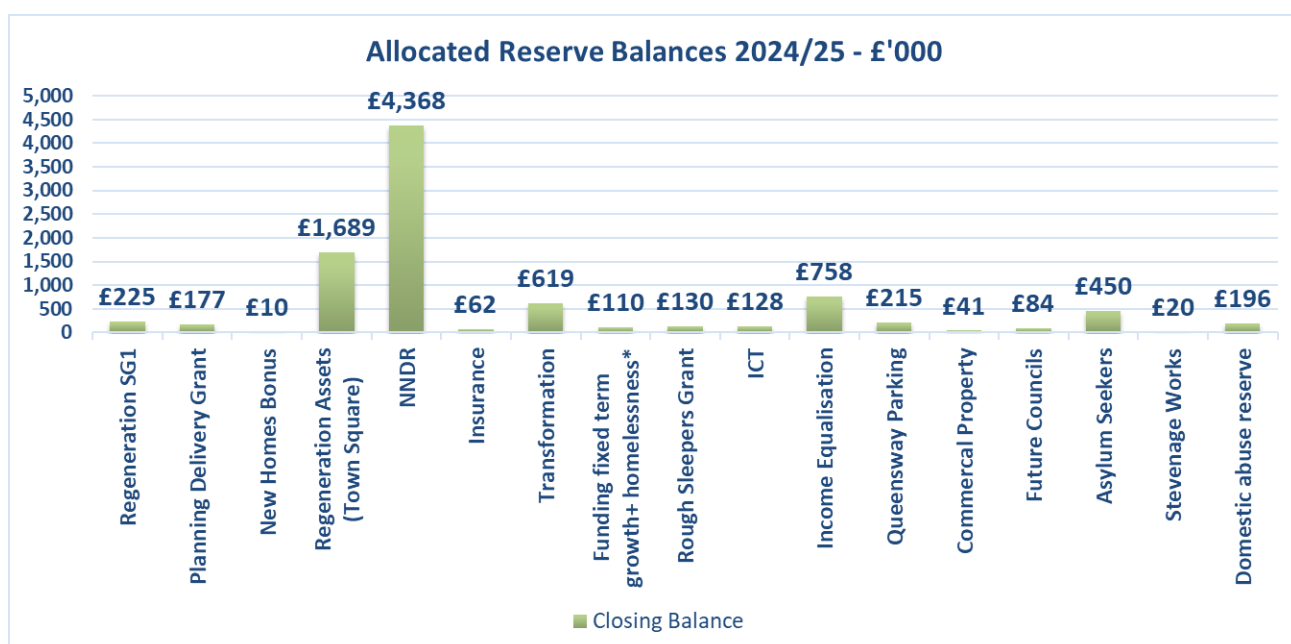
## 4.2 Review of General Fund Balances

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 **£9,280,450** (31 March 2024, £8,758,063). During quarter two, the following movement between reserves have been recommended.

Reserves	Q2 To Be Approved
Transformation	(152,220)
ICT reserve	(32,270)
<b>Total</b>	<b>(184,490)</b>

\*()) represents movement to reserves

- **Transformation** – The forecast transfer to reserve for the year is based on the latest transformation activity profile for 2024/25.
- **ICT reserve** - The transfer to reserves is based on the latest projections for the year.



4.2.2 General Fund Balance – Following the 2<sup>nd</sup> quarter review the General Fund balance as at the 31 March 2025 is now forecast to be £5,667,292.

<b>General Fund Balances</b>	<b>£'000</b>
<b>Original Net General Fund Budget</b>	<b>12,788</b>
Approved budget changes	(82)
<b>Net Working budget approved to Date</b>	<b>12,707</b>
1st Quarter Review	(292)
<b>Total Net Expenditure post Q3 review</b>	<b>12,415</b>
Less core resources at Budget Setting Report	(12,778)
<b>Transfer (to)/from General Fund balances</b>	<b>(364)</b>
<b>General Fund balance 31/3/24</b>	<b>(5,303)</b>
Transfer (to)/from General Fund balances	(364)
<b>Projected General Fund balance 31/3/25</b>	<b>(5,667)</b>
Allocated Revenue Reserves (Paragraph 4.2.1)	(9,280)
<b>Total General Fund Revenue balances (estimated 31/3/25)</b>	<b>(14,948)</b>

- 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	1,215,977	99%
	Partially Achieving	2,899	0%
	Not Achieving	5,004	0%
1,223,880		1,223,880	

- 4.3.1 Based on the Second Quarter expenditure position, the successful delivery of savings is projected. However, one scheme is not expected to meet its saving target of £5K from the reduction in car parking running costs due to unexpected costs for replacing old equipment. Savings are expected to start from 2025/26. Additionally, the scheme related to kennelling fees as part of the animal control contract has partially achieved its target. These fees have exceeded the budgeted costs, impacting the saving target by £3K.

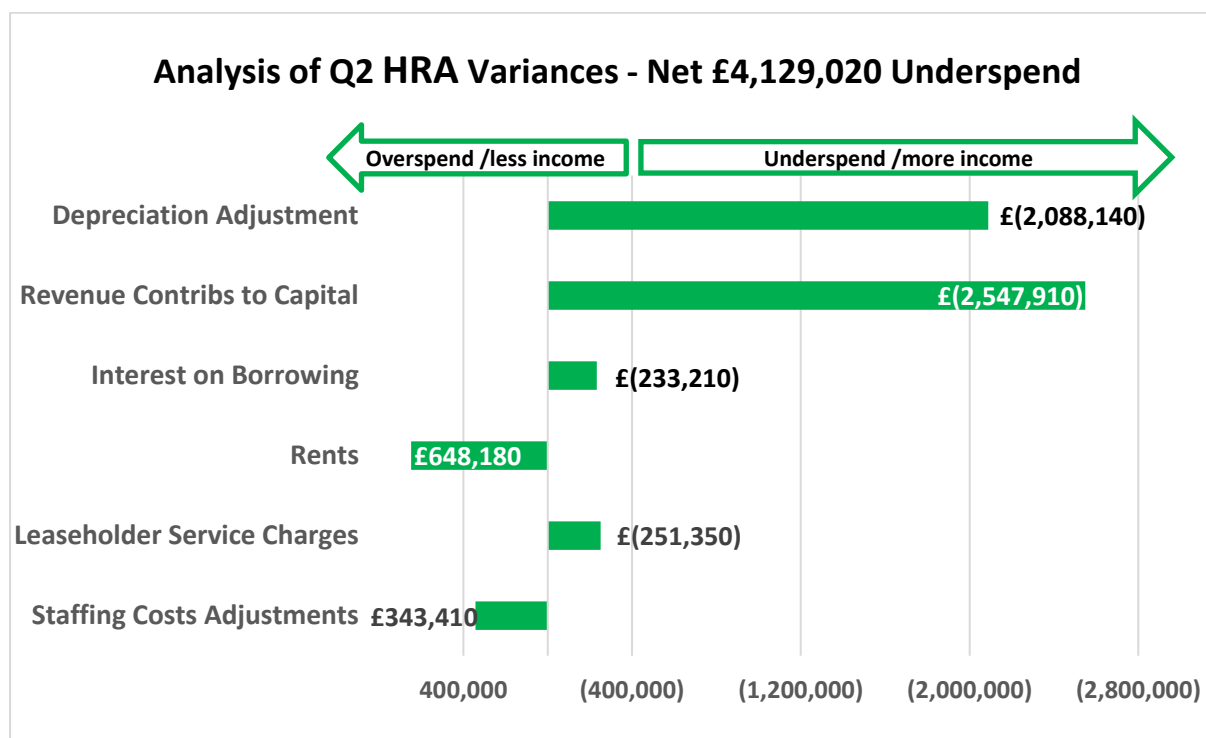
#### 4.4 Housing Revenue Account

- 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 £1.512Million shown in the following table.

HRA Working Budget	£'000
<b>Original Budget 2024/25</b>	<b>261</b>
2023/24 Q4 Carry Forwards	47
2023/24 Q4 New Budget Pressures for 24/25	2,434
2024/25 Q1 Budget Changes	(970)
<b>Total Working Budget</b>	<b>1,773</b>

#### 4.5 Housing Revenue Account - Budget Review

4.5.1 Following the 2<sup>nd</sup> quarter review of revenue budgets officers have identified and projected the following budget movements. The first three items shown in the graph relate to the latest capital programme projections that have been made for the HRA Medium Term Financial Strategy Forecast (MTFS). The remaining items relate to the current year's operational activity.



4.5.2 **Depreciation Adjustment (£2.088Million)**. Depreciation in the HRA is used to fund major repairs to the housing stock in the capital programme, like kitchen and bathroom replacements. The original budget for 2024/25 was set in line with the projected position in the HRA business plan, but the actual depreciation charges at the end of 2023/24, based on the asset register, were much lower than anticipated and this has led to a budget adjustment for 2024/25. Any difference in the required capital spending programme on major repairs and the level of depreciation calculated on asset values can be supplemented by direct revenue contributions to capital, so this adjustment will not adversely impact the investment in housing stock.

- 4.5.3 **Revenue Contributions to Capital (£2.548Million).** In addition to the adjustment above the capital funding requirements for 2024/25 have also been reviewed. Many of the schemes in the capital programme run over multiple years and are often re-phased in response to changes in delivery timings. The Q1 HRA capital spend in 2024/25 was expected to be £37Million, but due to timing differences and re-phasing of projects this has reduced to £32Million in the current forecast. This means that less funding is required in year and the revenue contribution from the HRA has reduced from £6.7Million to £4.2Million. However, it should be noted that this is a timing difference on spending and not a reduction in the capital programme overall.
- 4.5.4 **Interest on Borrowing (£233K).** As a result of the changes to the expected capital spend in 2024/25, detailed in paragraph 4.5.3, there has been a further change to the borrowing requirements and timing of loan finance. This has led to a small reduction in anticipated loan interest of £233K for this year and will happen in 2025/26.
- 4.5.5 **Rents and Service Charges £648K.** Due to timing differences from the original budget and the actual new development properties coming on stream, there is a projected £657K (1.3% of the £49.6Million budget) reduction of rent in 2024/25 relating in the main to the large-scale site at Kenilworth Road, these timing differences are more significant due to the large number of properties involved. In the medium term the properties will be let, and rental income received but profiled for later years. In addition, there has also been a net small increase in anticipated service charges of £9K (0.4% of the budget).
- 4.5.6 **Leaseholder Service Charges (£251K).** There is an increase in anticipated leaseholder charges at Q2 of £251K. Just under half of this increase in charges (£108K) relates to the completed calculations of last years' service charges for actual costs compared to the estimated bills for 2023/24. The remaining increase of £143K is for the difference between the actual estimated bills that are finalised in early 2024 and the initial budgets that are calculated in November 2023. This is a 15% increase from the initial estimate of £926K and is mainly due to inflationary impacts, particularly on maintenance costs. These estimates will be adjusted to actual costs after the year end and the leaseholder bills will be corrected for any variance in 2025/26.
- 4.5.7 **Staffing Cost Adjustments £343K.** The final adjustment to the HRA budget for Q2 relates to payroll costs. A full review of salary costs has identified that the £12.9Million Original budget was understated and the budget should be £343K higher (or 2.6% more).

## **4.6 Housing Revenue Account Balances**

- 4.6.1 Following the 2nd quarter review, the HRA balance is now forecast to be £13Million and is above minimum required balances. However, the increase in the balance mainly relates to capital financing changes and there is still an underlying revenue cost issue in the HRA in future years. This has been explained in more detail in the MTFs report to this committee.



Housing Revenue Account Outturn Position	£'000
<b>Working Budget – Cabinet 18th September 2024</b>	<b>1,773</b>
2nd Quarter Net Projected Underspend	(4,129)
<b>Projected net Deficit post 2nd Quarter review</b>	<b>(2,356)</b>
<b>HRA balance brought forward 1/4/23</b>	
	<b>(10,625)</b>
Surplus in year	(2,356)
<b>Projected HRA balance 31/3/2024</b>	<b>(12,981)</b>
<b>Remaining Cabinet Delegated Limit</b>	<b>4,529</b>

#### 4.7. Capital Monitoring

4.7.1. The latest revised capital strategy (Q1) was approved by Cabinet on 18 September 2024 and includes all member approved changes up to the date of this report. The 2024/25 approved budget for each fund is as follows:

- General Fund £30Million
- Housing Revenue Account £38Million

4.7.2. The table below summarises the Capital programme 2024/25 and the proposed rephasing of capital budgets at Q2 into 2025/26.

£000	2024/25			2025/26	
	Actual & Committed Spend Q2	Capital Strategy Q1	Revised Strategy Q2	Variance Q1 v Q2	Re-phased Q2
Total GF Schemes	6,968	30,255	25,919	(4,336)	3,430
Total HRA Schemes	10,483	37,672	31,662	(6,010)	6,010
<b>Total Capital Programme</b>	<b>17,451</b>	<b>67,927</b>	<b>57,581</b>	<b>(10,346)</b>	<b>9,440</b>
<i>Re-phase detail:</i>					
Stevenage Direct Services				(65)	65
Housing Development				(3,099)	3,099
Finance & Estates				(255)	255
Regeneration				(1,000)	0
Planning and Regulatory				83	11
<b>Total GF Re-phasing</b>				<b>(4,336)</b>	<b>3,430</b>
New Build (Housing Development)				(3,525)	3,525
Housing Investment				(2,485)	2,485
<b>Total HRA Re-phasing</b>				<b>(6,010)</b>	<b>6,010</b>

#### 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 £3Million - the main items are explained below:
- Estates £255K – delays to works on fire protection at Cavendish as the project is dependent on other activities being completed, the budget has been re-phased to 2025/26.
  - Wholly Owned Housing Development Company £2.5Million – funding is part of a wider £15Million budget approved for housing developments within the Wholly Owned Company. At present, no immediate opportunities are available for £2.45Million of the 2024/25 budget, however options continue to be explored and it is requested that is budget is re-phased into 2025/26. The remaining £611K budget in 2024/25 is required for the Courtlands development to facilitate design enhancement works at the site.
  - The reduction in the regeneration budgets relates to the LEP loan repayment which is a balance sheet item or repayment rather than capital expenditure.
- 4.7.6. HRA – re-phasing £6Million from 2024/25 into future years reflects the revised HRA MTFs forecasts for capital expenditure. Full details can be found in the HRA MTFs report that is part of this agenda.
- 4.7.7. The total Capital Programme, detailing all programmes with the relevant approval to spend, is detailed in Appendix C (GF) and B (HRA). It shows the revised budget position.

#### **4.8. New Growth – Funded from Developer Contributions and Grants**

- 4.8.1. Funding of £94.6K is being used to deliver remedial works at Park Place Stevenage. This is to be funded from a developer's contribution received specifically for this purpose and Members are asked to approve the addition to the capital programme.
- 4.8.2. One Public Estate Grant funding was received (£599K) to be used to fund the new spur road required to enable the development of the Swingate site which is a joint venture between the Council and Mace. Authorisation is requested to add this budget to the capital programme to facilitate this work being undertaken.

#### **4.9. Virements for Approval**

- 4.9.1. **Leisure Centre end of contract costs - £100K**, the stock condition survey budget of £100K (KC248) is no longer required and approval is sought to vire this to the KC242 budget which relates to the end of contract capital works required after the SLL contract ended.

## 4.10. Capital Financing

4.10.1. The table below sets out the change in the Capital Financing position since quarter 1, as a result of changes to the expenditure phasing and virements discussed above.

£000	2024/25			2025/26
	Actual & Committed Spend Q2	Capital Strategy Q1	Revised Strategy Q2	Re-phased Q2
<b>Total Capital Programme</b>	<b>17,451</b>	<b>67,927</b>	<b>57,581</b>	<b>(10,346)</b>
<i>Changes detail:</i>				
Short Term Borrowing				(2,738)
LEP Budget Funding				3,274
Other				(1,000)
<b>Total GF Financing changes</b>				<b>(4,336)</b>
MRR				3,430
Capital Receipts				(375)
Borrowing				1,547
Direct Revenue Financing				(2,039)
Grants				2,039
<b>Total HRA Financing changes</b>				<b>(480)</b>
<b>Total Capital Financing</b>				<b>(10,346)</b>
				480
				(1,569)
				1,569
				<b>(6,010)</b>
				<b>6,010</b>
				<b>9,440</b>

4.10.2. The changes to the HRA financing reflect are based on the revised HRA MTFS on this committee's agenda and are subject to the approval of the recommendations within that report. .

## 4.11. Capital Receipts Forecast

4.11.1. A key recommendation from the June 2020 MTFS 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.

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

£000	Previous Forecast	Revised Forecast/Actual	Variance
<b>Locality Receipts</b>			
Year 2024/25 Forecast	866	1,215	349
Year 2025/26 Forecast	545	245	(300)
<b>Total Locality Receipts total</b>	<b>1,411</b>	<b>1,460</b>	<b>49</b>
<b>Other Capital Receipts</b>			
Year 2024/25 Forecast	6,944	6,976	32

£000	Previous Forecast	Revised Forecast/Actual	Variance
Year 2025/26 Forecast	250	1,450	1,200
Year 2026/27 Forecast	12,390	12,240	(150)
<b>Total Other Capital Receipts</b>	<b>19,584</b>	<b>20,666</b>	<b>1,082</b>
<b>Total</b>	<b>20,995</b>	<b>22,126</b>	<b>1,131</b>
Sales Costs 4%	(840)	(624)	215
Contingency adjustment	(725)	(745)	0
<b>Total Net Receipts</b>	<b>19,430</b>	<b>20,757</b>	<b>1,326</b>

4.11.3. Until sold, the value of land sales can fluctuate from the forecast as can be seen. The overall increase in the forecast is mainly due to the inclusion of potential additional land sales of £1.2Million in 2025/26. Proposals for further garage sales will be reported to members separately. Other capital receipts include 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.

### 5.4 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.

## **5.5 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 (Cabinet 24 July 2024)

BD4 – 1<sup>st</sup> Quarter Monitoring Report General Fund, Housing Revenue Account, and Capital 2024/25 (Cabinet 18 September 2024)

## **Appendices**

- A - GF Revenue Monitor
- B - HRA Capital Strategy (2024/25)
- C - General Fund Capital Strategy (2024/25)