

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

30 SEPTEMBER 2021

Report Title	BUDGET MONITORING REPORT Q1 2021/22			
Purpose of Report	To present to the Committee a forecast of the outturn position against the General Fund revenue budget, Housing Revenue Account and capital programme for 2021/22, in order to give an expectation of possible variances against budget.			
Decision(s)	The Committee RESOLVES to: a) To note the outturn forecast for the General Fund Revenue budget. b) To note the outturn forecast for the Housing Revenue Account c) To note the outturn forecast for the Capital Programme.			
Consultation and Feedback	Budget holders have been consulted about the budget issues in their service areas. The feedback has been incorporated into to the report to explain difference between budgets and actual income and expenditure.			
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Options	None			
Background Papers	None			
Appendices	Appendix A – Other Service Committee Summaries Appendix B – Strategy and Resources Committee Detailed Breakdown Appendix C – Housing Revenue Account Breakdown Appendix D – Covid Pressures			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1 Background

- 1.1** This report provides the first monitoring position statement for the financial year 2021/22. The purpose of this report is to notify members of any known significant variations to budgets for the current financial year, highlight any key issues and to inform members of any action to be taken if required.

2. Summary

- 2.1 The monitoring position for the General Fund at 30 June 2021 shows a projected net revenue overspend of £587k against the latest budget, as summarised in Section 3.
- 2.2 The Housing Revenue Account (HRA) shows a forecasted overspend of £352k, as shown in Section 5.
- 2.3 The capital programme, as detailed in Section 6, shows a forecast spend of £37.452m against a budget of £37.877m.

3. Revenue Budget Position

- 3.1 Council approved the General Fund Revenue budget for 2021/22 in February 2021.
- 3.2 The budget has been revised to include the budget allocations carried forward from 2020/21, as reported to Strategy and Resources Committee in July 2021, as well as the distribution to committees of the additional recovery budget items for 2021/22 which were held centrally in Strategy and Resources in the base budget.
- 3.3 The monitoring position for the General Fund at 30 June 2021 shows a **projected net overspend of £587k** against the latest budget, as summarised in Table 1.

Table 1 – General fund Summary

	2021/22 Original Budget (£'000)	2021/22 Revised Budget (£'000)	2021/22 Forecast Outturn (£'000)	2021/22 Reserve Transfers (£'000)	2021/22 Outturn Variance (£'000)
GENERAL FUND					
Community Services and Licensing	3,010	3,288	3,629	0	341
Environment	6,172	6,346	6,215	100	(32)
Housing General Fund	773	980	991	0	11
Strategy and Resources	8,031	7,882	8,233	(85)	267
Accounting Adjustments	(2,058)	(2,058)	(2,058)	0	0
Net Revenue Expenditure	15,927	16,439	17,010	15	587
Funding from Govt Grants/Council Tax	(14,867)	(14,867)	(14,867)	0	0
Transfers to/(from) Earmarked Reserves	(1,060)	(1,572)	(1,572)	0	0
Total General Fund	0	0	572	15	587

- 3.4 Key areas of variance:

3.5 Covid-19 Impact - £77k pressure

A budget allowance of £1,540k was approved by Council in February. This was to be funded, in part, by £804k of Government funding. The loss of income from key areas such as The Pulse, car parking and planning are now expected to be lower than budgeted, which in turn lowers the expectation of grant income from Government to compensate for the lost income.

Additional expenditure is still required for temporary accommodation, the Ubico contract (waste collection, fly tipping and cleaning of public conveniences) as well as additional staffing in The Pulse and the Planning Team.

A full breakdown of the additional pressure relating to Covid-19 are included in Appendix D.

3.6 Housing Benefit - £370k additional expenditure

A shortfall on housing benefit subsidy claims is expected, principally for supported accommodation. Although there is a higher rent allowable in supported accommodation, where the cost of housing is significantly higher than the amount allowable under housing benefit, this cannot all be claimed back through housing benefit subsidy and part of the cost is borne by the local authority. Although a significant amount it should be noted that this represents a variance of only 2.3% on the housing benefit subsidy budget. This will continue to be monitored and the situation is subject to change throughout the year as housing benefit claims change and are difficult to predict.

3.7 Information and Communication Technology – £292k overspend

The additional spend in IT predominantly relates to an overspend in software costs, with £184k relating to existing contracts and £78k from new software costs. The impact of the additional costs will be considered in the Budget Strategy and budget setting.

3.8 Waste and Recycling – (£78k) underspend

Additional income for garden waste subscriptions (-£55k) and a more buoyant paper recycling market (-£63k) have been partially offset by an expectation of having to replace a number of waste and recycling bins due to age (+£48k). Ubico have raised a potential change to rates of pay (in part linked to the national driver shortage), which will be considered as part of the budget setting process.

3.9 Minimum Revenue Provision – (£88k) underspend

A reduction to MRP (the amount which must be set aside from revenue as a provision for repayment of borrowing) is lower than budgeted due to slippage in the capital programme lowering the amount borrowed (compared to the budget) in 2020/21.

3.10 Modernisation Savings

3.11 The Medium Term Financial Plan includes a Modernisation savings target. In 2021/22 a £200k savings target is included in the base budget which it is expected will be achieved in year through vacancy savings, pending ongoing savings being found through the Fit for the Future programme.

3.12 The Quarter 1 position includes an estimate of £87k vacancy savings to be achieved during the year. This would leave £113k to be found during the year.

Table 2: Current estimate of vacancy savings

Service	Vacancy Saving Forecast (£'000)
Car Park Enforcement	16
Monitoring Officer	28
Finance	25
Property Services	16
Total	87

4. Strategy & Resources Committee Revenue budget

- 4.1** The latest budget for Strategy and Resources Committee is £7.882m. The monitoring position at Quarter 1 shows a projected net overspend of £267k.
- 4.2** The below table gives a summary by service, with narrative given for major variances. Appendix B gives a further breakdown of the Strategy and Resources revenue budget.

Table 3 – Strategy & Resources Revenue budgets 2021/22

Strategy & Resources Committee	Para Refs	2021/22 Original Budget (£'000)	2021/22 Revised Budget (£'000)	2021/22 Forecast Outturn (£'000)	2021/22 Reserve Transfers (£'000)	2021/22 Outturn Variance (£'000)	Covid-19 Pressures (Reported in Covid 19)
Car Parks	4.3	(687)	(687)	(682)	0	5	256
Commercial Properties	4.4	(152)	(152)	(136)	0	16	33
Communications		163	163	163	0	0	0
Corporate Expenditure & Income	4.5	1,322	892	801	0	(91)	48
Corporate Policy & Governance		1,147	1,147	1,147	0	(1)	0
Corporate Services (Legal)		437	450	450	0	0	0
Covid-19	4.6	562	721	798	0	77	305
Facilities Management		415	415	427	0	12	69
Financial Services		833	833	833	0	(1)	0
Human Resources		562	562	562	0	0	0
Information & Communication Technology	4.7	1,702	1,702	2,013	(19)	292	0
Other Properties	4.8	(711)	(711)	(590)	(130)	(9)	13
Pension Lump Sum		1,362	1,362	1,362	0	0	0
Property Services		443	552	519	0	(33)	0
Senior Leadership Team	4.9	629	629	564	64	(1)	0
Youth Councils		3	3	3	0	0	0
Strategy and Resources TOTAL		8,031	7,882	8,233	(85)	267	724

4.3 Car Parks - £261k income shortfall

(Mike Hammond, xtn 4447, mike.hammond@stroud.gov.uk)

Car Park use in Stroud is illustrating a varied post pandemic picture. Rowcroft Car Park in particular is almost back to 'normal', whilst commuter car parks, particularly Cheapside, are still seeing far fewer visitors, this will take some time to see if user numbers revert to pre-lockdown levels and will be monitored very closely over the coming months. It is prudent at this stage to predict an income shortfall.

4.4 Commercial Properties - £49k income shortfall

(Alison Fisk, xtn 4430, alison.fisk@stroud.gov.uk)

Brunel Mall is forecasting a loss of income, this is directly related to Covid as tenants were impacted by lock down and rent holidays were granted to some of the businesses.

Littlecombe – the majority of units have been sold rather than let, so capital receipts have been achieved rather than rental income. The last unit sale has been delayed, but is still expected to complete. Deals have slowed during the pandemic impacting on lettings and sales.

4.5 Corporate Expenditure and Income – £91k underspend

(Lucy Clothier, xtn 4343, lucy.clothier@stroud.gov.uk)

A reduction to MRP (the amount which must be set aside from revenue as a provision for repayment of borrowing) is lower than budgeted by £88k due to slippage in the capital programme lowering the amount borrowed (compared to the budget) in 2020/21.

4.6 COVID 19 – £77k overspend/income shortfall

(Lucy Clothier, lucy.clothier@stroud.gov.uk)

A budget allowance of £1,540k was approved by Council in February. This was to be funded, in part, by £804k of Government funding. The loss of income from key areas such as The Pulse, car parking and planning are now expected to be lower than budgeted, which in turn lowers the expectation of grant income from Government to compensate for the lost income.

Additional expenditure is still required for temporary accommodation, the Ubico contract (waste collection, fly tipping and cleaning of public conveniences) as well as additional staffing in The Pulse and the Planning Team.

A full breakdown of the additional pressures relating to Covid-19 are included in Appendix D. This includes where the costs have been met from the recovery reserve and external funding.

4.7 ICT – £273k overspend

(Adrian Blick, adrian.blick@stroud.gov.uk)

The cost of software continues to be higher than budget, with the additional costs reported in 2020/21 continuing into 2021/22. There have also been £78k of additional software costs in this financial year. Spend is being very closely monitored this year and will be able to improve the accuracy of forecasting (especially for next annual period) due to this increased focus and through review of costs incurred.

A £67k variance is also forecast on staffing as a result of the continued extension of a networks/infrastructure contractor due to challenges with recruitment. This should be resolved next quarter subject to references.

4.8 Other Properties – Brimscombe Port

(Alison Fisk, xtn 4430, alison.fisk@stroud.gov.uk)

The Brimscombe Port site has been transferred to Stroud District Council in line with the redevelopment agreement. There will be no impact on the overall General Fund as any running costs (including some major refurbishment works to the Mill already undertaken) will be funded from rental income from the site which has also been transferred to SDC. All remaining funding will be used to fund the redevelopment of the site.

4.9 Senior Leadership Team

The recruitment of the Head of IT as the Director of Transformation has allowed a saving in the director post budget. As this post is funded from the modernisation programme, any savings from the post will remain for modernisation and will be available for the Fit for the Future project.

5. Housing Revenue Account Budget Position

- 5.1** The original net Housing Revenue Account (HRA) budget for 2021/22 is a transfer to reserves of £281k, as approved by Council in February 2021.
- 5.2** The budget monitoring position for the HRA at Quarter 1 shows a projected net overspend of £352k (1.5% of gross spend) against the current budget, as shown in the below table.

Table 4: HRA Revenue Summary

	2020/21 Original Budget (£'000)	2020/21 Revised Budget (£'000)	2020/21 Forecast Outturn (£'000)	2020/21 Reserve Transfers (£'000)	2020/21 Outturn Variance (£'000)
Housing Committee					
Total Income	(23,208)	(23,208)	(22,947)	0	260
Total Expenditure	10,142	10,163	10,231	0	69
Total Other Costs and Income	13,306	13,306	13,329	0	23
Total Net Expenditure	240	261	613	0	352
Transfers to/from Earmarked reserves	(521)	(542)	(542)	0	0
Transfers to/from General Reserves	281	281	281	0	0
Total Housing Revenue Account	0	0	352	0	352

- 5.3** A more detailed breakdown of this table can be found in Appendix C.
- 5.4** Key areas of variance of variance are set out below. Further detail can be found in the Housing Committee report.
- 5.5 Rents and Service Charges – £292k loss of income**
Void loss continues to be much higher than budgeted due to a large backlog of void properties following Covid-19 lockdowns.
- 5.6 Supervision and management – (£230k) underspend**
A number of posts are currently vacant and it is expected that the total staffing saving across the year will total £171k. This will fluctuate throughout the year as vacancies are filled. There is also an underspend of £37k on IT software. This predominantly relates to budget available for a new housing system which is now due for implementation later in the year.
- 5.7 Repairs and maintenance – £185k pressure**
Voids costs are expected to be higher than budget due to an increase in council tax of £100k because of the higher void rates. There is also an overspend of £85k in Property Care. This largely relates to the use of subcontractors for specialist roles such as roofing and drainage.

6. Capital Programme

- 6.1** The current capital programme, following the addition of slippage from 2021/22 is £15,303k. The current forecast spend is £14,289, a net underspend of £1,015k.
- 6.2** This underspend is largely due to changes in timing in the capital programme as the projects span more than one financial year. There are some areas of forecast slippage, including the Canal restoration and the Stroud and District cycling and walking plan. There is also additional spend on Brimscombe Port where demolition works have been brought forward into 2021/22. These are all only timing differences and will not affect the overall costs.
- 6.3** The General Fund capital programme has one area of overspend relating to the water source heat pumps at Ebley Mill and Brimscombe Port Mill. The expected cost is higher than the budget, in part due to the need to upgrade electrical systems which will have wider benefits including the ability to add additional electric vehicle charging points. The project is also expected to have increased Renewable Heat Incentive (RHI) income which can be used to fund the increased cost and so no overall impact is expected on the General Fund.
- 6.4** Following capital slippage from 2021/22 and the addition of the Decarbonisation project, the revised HRA capital programme has a budget of £22,573k. The current forecast spend is £23,164k, additional spend of £590k, however this includes some opportunity led pots for land and property acquisition that may not fall in this financial year.
- 6.5** The only significant variance currently expected is £600k of refurbishment works at Park Road and Park Parade flat blocks being brought forward to complete in one financial year rather than being spread over two years. This is fully funded in the MTFP, and a revised budget will be requested at budget setting.

Table 5 – Capital Summary

	2021/22 Original Budget (£'000)	2021/22 Revised Budget (£'000)	2021/22 Forecast Outturn (£'000)	2021/22 Outturn Variance (£'000)
Capital Schemes				
Community Buildings Investment	0	117	117	0
Stratford Park Lido	30	30	30	0
Community Services Capital Schemes TOTAL	30	147	147	0
Canal	6,631	8,215	6,603	(1,611)
Market Town Centres Initiative Fund	50	40	40	0
Multi-Service Contract Vehicles	859	1,208	1,208	0
Rural SuDS Project	30	30	30	0
Stratford Park Acquisition of Machinery	0	14	14	0
Stroud District Cycling & Walking Plan	200	404	165	(239)
Wallbridge-Gateway	100	100	100	0
Environment Capital Schemes TOTAL	7,870	10,011	8,160	(1,850)
Affordable Housing-Support to Registered Providers	0	39	39	0
Better Care Fund Projects	0	0	3	3
Disabled Facilities Grant Scheme	330	330	330	0
Green Home LADS Park Homes	950	1,604	1,604	0
Health through Warmth Grants	200	200	200	0
Private Sector Housing Loans	15	15	15	0
Temporary Accommodation	500	500	500	0
Warm Homes	0	343	343	0
Housing General Fund Capital Schemes TOTAL	1,995	3,031	3,034	3
Brimscombe Port Redevelopment	153	273	944	671
Electric Vehicle Acquisition	0	12	12	0
ICT Investment Plan	400	476	476	0
MSCP Resurfacing	0	0	0	0
Subscription Rooms - Refurbishment	0	0	2	2
Water Source Heat Pump-Ebley Mill & Brimscombe Port	0	1,354	1,514	160
Strategy and Resources Capital Schemes TOTAL	553	2,115	2,948	833
TOTAL GENERAL FUND CAPITAL SCHEMES	10,448	15,303	14,289	(1,015)
Acquisitions	2,000	5,492	5,492	0
Independent Living Modernisation	358	403	398	(5)
Major Works	9,317	10,459	11,054	595
New Build and Development	11,249	5,784	5,784	0
Other Capital Works	435	435	435	0
TOTAL HRA SCHEMES	23,359	22,573	23,164	590
TOTAL CAPITAL SCHEMES	33,807	37,877	37,452	(425)

7. Strategy and Resources Capital Programme

7.1 Table 6 below shows the Capital Forecast position at Quarter 1 for Strategy and Resources Committee and shows a projected outturn of **£2.948m**.

Table 6 – Strategy and Resources Capital Programme

Strategy & Resources Capital Schemes	Para Refs	2021/22 Original Budget (£'000)	2021/22 Revised Budget (£'000)	2021/22 Forecast Outturn (£'000)	2021/22 Outturn Variance (£'000)
Brimscombe Port Redevelopment	7.2	153	273	944	671
Electric Vehicle Acquisition	7.3	0	12	12	0
ICT Investment Plan	7.4	400	476	476	0
Subscription Rooms - Refurbishment (retention only)		0	0	2	2
Water Source Heat Pump-Ebley Mill & Brimscombe Port	7.5	0	1,354	1,514	160
Strategy and Resources Capital Schemes TOTAL		553	2,115	2,948	833

7.2 Brimscombe Port Redevelopment

The budget for Brimscombe Port, agreed as part of the budget setting process for 2021/22, was approved at £273k. As the demolition is now to be carried out by the Council the budget forecast has changed to £943,895 as the demolition costs and associated fees have been added to the forecast expenditure for this financial year. This fits within the budget of £2.6 million already allocated to this project.

7.3 Electric Vehicle Acquisition

The remaining capital budget of £12k will be utilised in installing electric vehicle points across the county. The requirements are currently being investigated by the Senior Carbon Neutral Officer in conjunction with the County Council.

7.4 ICT Investment Plan

The remaining funding from the ICT Investment Plan will form part of the Fit for the Future modernisation programme.

7.5 Water Source Heat Pumps

The water source heat pump installation at Brimscombe Port is on programme and is due to be commissioned by 4th October 2021. There are however areas of work still to be undertaken that could potentially delay the commissioning including the installation of the heat collectors in the river and the switch over of the main electricity supply with Western Power Distribution.

The installation at Ebley Mill is delayed by approximately two weeks and is now due to be commissioned by 18th October 2021. As mentioned previously works are still to be undertaken within the river and a new electrical transformer is programmed both of which may potentially delay the commissioning.

As has been previously reported, the costs of the project have increased from initial estimates, in part due to additional works needed which will have other wider benefits, including the ability to add additional electric vehicle charging points at Ebley Mill in the future. The forecast of the grant income associated with the scheme has also increased and so the additional cost can be met from the increased income.

8. IMPLICATIONS

8.1 Financial Implications

There are no financial implications arising from this report as it reports on previous financial activities, and expected forecasts.

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8.2 Legal Implications

There are no legal implications arising from the recommendations in this report.

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8.3 Equality Implications

An EIA is not required because there are not any specific changes to service delivery proposed within this decision.

8.4 Environmental Implications

There are no significant implications within this category.