

**STROUD DISTRICT COUNCIL**  
**STRATEGY AND RESOURCES COMMITTEE**  
**13 JANUARY 2022**

<b>Report Title</b>	<b>Budget Monitoring Report Q2 2021/22</b>			
<b>Purpose of Report</b>	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.			
<b>Decision(s)</b>	<p><b>The Committee RESOLVES:</b></p> <p>a) To note the outturn forecast for the General Fund Revenue budget.</p> <p>b) To note the outturn forecast for the Housing Revenue Account.</p> <p>c) To note the outturn forecast for the Capital Programme.</p>			
<b>Consultation and Feedback</b>	Budget holders have been consulted about the budget issues in their service areas. The feedback has been incorporated into the report to explain difference between budgets and actual income and expenditure.			
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<b>Options</b>	None			
<b>Background Papers</b>	None			
<b>Appendices</b>	Appendix A – Other Service Committee Summaries Appendix B – Strategy and Resources Committee Detailed Breakdown Appendix C – Housing Revenue Account Breakdown Appendix D – Covid Pressures			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	No	No	No	No

## 1. Background

- 1.1** This report provides the second 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 September 2021 shows a projected net revenue overspend of £186k against the latest budget, as summarised in Section 3.
- 2.2 The Housing Revenue Account (HRA) shows a forecasted overspend of £519k, as shown in Section 5.
- 2.3 The capital programme, as detailed in Section 6, shows a forecast spend of £32.943m against a budget of £32.921m.

## 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. There have been two movements between Committees for Quarter 2. Tourism (£10k) has moved from CS&L to Environment (Economic Development), and Car Park Enforcement (£43k) has moved from CS&L to S&R (with car parking income).
- 3.3 The monitoring position for the General Fund at 30 September 2021 shows a **projected net overspend of £186k** 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)
<b>GENERAL FUND</b>					
Community Services and Licensing	3,010	3,251	3,683	0	432
Environment	6,172	5,917	5,710	6	(201)
Housing General Fund	773	980	990	0	10
Strategy and Resources	8,031	8,184	8,195	(67)	(55)
Accounting Adjustments	(2,058)	(2,058)	(2,058)	0	0
<b>Net Revenue Expenditure</b>	<b>15,927</b>	<b>16,274</b>	<b>16,521</b>	<b>(61)</b>	<b>186</b>
Funding from Govt Grants/Council Tax	(14,867)	(14,867)	(14,867)	0	0
Transfers to/(from) Earmarked Reserves	(1,060)	(1,408)	(1,408)	0	0
<b>Total General Fund</b>	<b>0</b>	<b>(1)</b>	<b>246</b>	<b>(61)</b>	<b>186</b>

### 3.4 Key areas of variance:

### 3.5 Covid-19 Impact – (£315k) underspend

A budget allowance of £1,540k was approved by Council in February. This was to be funded, in part, by £804k of Government funding. It is now expected that this will not all be required to fund Covid related costs in 2021/22, with the overall net cost reducing by £392k from Quarter 1, due to increased income expectations.

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

### 3.6 Housing Benefit - £370k additional expenditure

A pressure is ongoing for Housing Benefit payments for higher cost supported housing, where the additional cost of the charges is only reimbursed by Government at 60%. The remaining 40% is borne by SDC. An additional budget of £200k has been allocated in the MTFP.

### 3.7 Information and Communication Technology – £211k overspend

The additional spend in IT predominantly relates to an overspend in software costs of £168k, and £43k of staffing costs.

### 3.8 Waste and Recycling – (£211k) additional income/ overspend

Higher income for garden waste subscriptions (-£88k), collection of bulky waste (£36k), a more buoyant recycling market (-£162k) and higher recycling rates increasing recycling credits from GCC (-£130k) have led to significant additional income. This has been partially offset by additional bin and recycling container purchases (£89k), and additional Ubico costs (£145k) which are being monitored closely. The additional cost relates to an outstanding insurance claim (£50k), theft of diesel from Gossington Depot (£25k) and additional vehicle costs (£24k). An uplift in driver rates, in part due to the national shortage, is expected to cost an additional £45k in 2021/22.

### 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 2 position includes an estimate of £124k vacancy savings to be achieved during the year, an increase of £37k from Quarter 1. This leaves £76k to be found.

Table 2 - Current estimate of vacancy savings

Service	Vacancy Saving Forecast (£'000)
Car Park Enforcement	16
Monitoring Officer	28
Finance	44
Property Services	18
Museum in the Park	18
<b>Total</b>	<b>124</b>

#### 4. Strategy & Resources Committee Revenue budget

- 4.1 The latest budget for Strategy and Resources Committee is £8,184m. The monitoring position at Quarter 2 shows a projected net overspend of £55k.
- 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

	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)
<b>Strategy &amp; Resources Committee</b>							
Car Parks	4.3	(687)	(678)	(665)	0	13	235
Commercial Properties	4.4	(152)	(98)	(18)	0	81	1
Communications		163	163	170	0	7	0
Corporate Expenditure & Income	4.5	1,322	795	704	0	(91)	48
Corporate Policy & Governance		1,147	1,147	1,178	0	31	0
Corporate Services (Legal)		437	450	457	0	7	0
Covid-19	4.7	562	721	407	0	(315)	185
Facilities Management	4.8	415	425	426	0	1	68
Financial Services		833	833	841	0	8	0
Human Resources		562	562	550	0	(12)	0
Information & Communication Technology	4.9	1,702	2,116	2,327	0	211	0
Other Properties	4.1	(711)	(718)	(653)	(67)	(2)	11
Pension Lump Sum		1,362	1,362	1,362	0	0	0
Property Services		443	513	518	0	5	0
Senior Leadership Team		629	587	587	0	(1)	0
Youth Councils		3	3	3	0	(0)	0
<b>Strategy and Resources TOTAL</b>		<b>8,031</b>	<b>8,184</b>	<b>8,195</b>	<b>(67)</b>	<b>(55)</b>	<b>548</b>

#### 4.3 Car Parks - £248k income shortfall

(Mike Hammond, xtn 4447, [mike.hammond@stroud.gov.uk](mailto:mike.hammond@stroud.gov.uk))

£235k of this variance is a shortfall in Car Park income across the district. In Stroud, there continues to be a distinct split between near full recovery in short stay car parks against the much slower recovery in long stay use. We expect this to take some time to normalise, certainly beyond the end of this financial year. The revenue levels continue to represent a significant income. Additional costs related to Corporate Maintenance have also been forecast.

#### 4.4 Commercial Properties - £82k income shortfall

(Alison Fisk, xtn 4430, [alison.fisk@stroud.gov.uk](mailto: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](mailto: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 Corporate Policy & Governance – £31k overspend** (Hannah Emery, xtn 4383, [hannah.emery@stroud.gov.uk](mailto:hannah.emery@stroud.gov.uk))

The overspend is largely a result of the district council elections held in May 2020. Despite these elections being combined and further funding provided by Government to cover costs to ensure the process was safe, the complexity of the elections resulted in additional costs and resource required. A temporary member of staff was recruited into the Democratic Services and Elections team and this cost cannot be claimed from central Government. It has been identified that there was a need for more permanent resource in the Democratic Services and Elections team in order to meet the needs of the service and ensure that critical legal deadlines and statutory responsibilities can be met. As part of the budget setting process for 2022-23 a career-graded post is proposed to be added to the structure to provide this support and increase the resilience of the team.

#### **4.7 COVID 19 – (£315k) underspend** (Lucy Clothier, [lucy.clothier@stroud.gov.uk](mailto: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. It is now expected that this will not all be required to fund Covid related costs in 2021/22, with the overall net cost reducing by £392k from Quarter 1, due to increased income expectations.

The estimated loss of income the major income areas of The Pulse, Development Control, Building Control and car parking have reduced significantly. This 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.

#### **4.8 Facilities Management £69k overspend** (Brian McGough, [Brian.mcgough@stroud.gov.uk](mailto:Brian.mcgough@stroud.gov.uk))

This variance is predominantly due to lack of income for rental and service charge income in respect of the New Build and Bodley Block Ground in Ebley Mill. Both areas have been vacant all year and we are not actively pursuing the re-letting of these spaces as they are needed to enable more officers to return to the Mill (in order to comply with Government guidelines on Covid safety by avoiding overcrowding of office spaces) and also whilst we consider our long term accommodation strategy as part of the Fit for the Future programme.

#### 4.9 ICT – £211k overspend

(Adrian Blick, [adrian.blick@stroud.gov.uk](mailto: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 £81k of additional software costs in this financial year. A considerable amount of work has been undertaken to ensure the accuracy of the budget for 2022-23, which in turn has improved the forecasting for this financial year through the extensive review of costs over the last eighteen months. The budget setting process has now identified those areas where additional budget is proposed.

A £43k 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.

#### 4.10 Other Properties – Brimscombe Port

(Alison Fisk, xtn 4430, [alison.fisk@stroud.gov.uk](mailto: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.

### 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 2 shows a projected net overspend of £519k (2.3% of gross spend) against the current budget, as shown in the below table.

Table 4: HRA Revenue 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)
<b>Housing Committee</b>					
Total Income	(23,208)	(23,208)	(22,872)	0	336
Total Expenditure	10,142	10,257	10,417	0	160
Total Other Costs and Income	13,306	12,576	12,599	0	23
<b>Total Net Expenditure</b>	<b>240</b>	<b>(375)</b>	<b>144</b>	<b>0</b>	<b>519</b>
Transfers to/from Earmarked reserves	(521)	94	94	0	0
Transfers to/from General Reserves	281	281	281	0	0
<b>Total Housing Revenue Account</b>	<b>0</b>	<b>0</b>	<b>519</b>	<b>0</b>	<b>519</b>

- 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 – £393k loss of income**

The number of empty (void) properties which are made available for rent and subsequently let to those on our waiting list each week is 31% higher than in the comparable pre Covid period in 2019/2020 (33 properties per month). This significantly improved performance reflects the hard work of the Property Care team. The number of tenants leaving council dwellings has however increased over the last 18 months. This, alongside the residual impact of restricted works during lockdown, and ongoing material and labour market pressures, has resulted in higher number of voids than projected. As a consequence, rental income is under budget.

## **5.6 Supervision and management – (£372k) underspend**

A number of posts are currently vacant and it is expected that the total staffing saving across the year will total £226k. This will fluctuate throughout the year as vacancies are filled.

There is also an underspend of £107k 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 – £480k 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.

An additional £250k has been allocated to make good void properties and bring back to habitable use. This will allow the contractors to put additional resource into our properties and help reduce the backlog of void properties more quickly.

There is also an overspend of £167k 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 General Fund capital programme, following the addition of slippage from 2021/22 and a reprofiling of budgets as part of the revised budget for 2021/22 is £11,131k. The current forecast spend is £11,153, a net overspend of £22k.

**6.2** This variance is made up of many, including 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 Stroud and District cycling and walking plan and Community Buildings Investment (Kingshill House). 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 areas of overspend relating to the water source heat pumps at Ebley Mill and Brimscombe Port Mill, and the canal restoration. As has been previously reported the expected cost of the heat pumps 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 will be used to fund the increased cost and so no overall impact is expected on the General Fund.

**6.4** The additional cost on the canal restoration relates to the final costs of Phase 1A, and not the current Phase 1B.

- 6.5** There is also a reduction in the Green Homes Local Authority Delivery Scheme (LADS) due to the end of the funding brought forward from 2020/21. The works continues using the allocation from Government for 2021/22.
- 6.6** Following capital slippage from 2021/22 and the addition of the Decarbonisation project, the capital programme has been further reprofiled as part of budget setting for 2022/23 and the revised HRA capital programme has a budget of £21,790k. The current forecast shows no variance against budget. However, this includes some opportunity led pots for land and property acquisition that may not fall in this financial year.

Table 5 – Capital Summary

<b>Capital Schemes</b>	<b>2021/22 Original Budget (£'000)</b>	<b>2021/22 Revised Budget (£'000)</b>	<b>2021/22 Forecast Outturn (£'000)</b>	<b>2021/22 Outturn Variance (£'000)</b>
Community Buildings Investment	0	117	0	(117)
Stratford Park Lido	30	30	30	0
<b>Community Services Capital Schemes TOTAL</b>	<b>30</b>	<b>147</b>	<b>30</b>	<b>(117)</b>
Canal	6,631	4,814	4,874	60
Market Town Centres Initiative Fund	50	40	40	0
Multi-Service Contract Vehicles	859	1,513	1,513	0
Rural SuDS Project	30	30	20	(10)
Stratford Park Acquisition of Machinery	0	14	14	0
Stroud District Cycling & Walking Plan	200	404	140	(264)
Wallbridge-Gateway	100	0	0	0
<b>Environment Capital Schemes TOTAL</b>	<b>7,870</b>	<b>6,815</b>	<b>6,600</b>	<b>(214)</b>
Affordable Housing-Support to Registered Providers	0	39	50	11
Better Care Fund Projects	0	0	3	3
Disabled Facilities Grant Scheme	330	330	330	0
Green Home LADS Park Homes	950	1,604	1,409	(195)
Health through Warmth Grants	200	200	200	0
Private Sector Housing Loans	15	15	15	0
Temporary Accommodation	500	0	0	0
Warm Homes	0	343	343	0
<b>Housing General Fund Capital Schemes TOTAL</b>	<b>1,995</b>	<b>2,531</b>	<b>2,350</b>	<b>(181)</b>
Brimscombe Port Redevelopment	153	273	646	373
Electric Vehicle Acquisition	0	12	12	0
ICT Investment Plan	400	0	0	0
Subscription Rooms - Refurbishment	0	0	2	2
Water Source Heat Pump-Ebley Mill & Brimscombe Port	0	1,354	1,514	160
<b>Strategy and Resources Capital Schemes TOTAL</b>	<b>553</b>	<b>1,638</b>	<b>2,173</b>	<b>535</b>
<b>TOTAL GENERAL FUND CAPITAL SCHEMES</b>	<b>10,448</b>	<b>11,131</b>	<b>11,153</b>	<b>22</b>
Acquisitions	2,000	5,285	5,285	0
Independent Living Modernisation	358	359	359	0
Major Works	9,317	9,912	9,912	0
New Build and Development	11,249	5,799	5,799	0
Other Capital Works	435	435	435	0
<b>TOTAL HRA SCHEMES</b>	<b>23,359</b>	<b>21,790</b>	<b>21,790</b>	<b>0</b>
<b>TOTAL CAPITAL SCHEMES</b>	<b>33,807</b>	<b>32,921</b>	<b>32,943</b>	<b>22</b>

## 7. Strategy and Resources Capital Programme

7.1 Table 6 below shows the Capital Forecast position at Quarter 2 for Strategy and Resources Committee and shows a projected outturn of **£2.173m**. This is against a revised budget for 2021/22 which will be included in the proposed budget for 2022/23.

**Table 6 – Strategy and Resources Capital Programme**

		2021/22 Original Budget (£'000)	2021/22 Revised Budget (£'000)	2021/22 Forecast Outturn (£'000)	2021/22 Outturn Variance (£'000)
<b>Strategy &amp; Resources Capital Schemes</b>	Para Refs				
Brimscombe Port Redevelopment	7.2	153	273	646	373
Electric Vehicle Acquisition	7.3	0	12	12	0
ICT Investment Plan	7.4	400	0	0	0
Subscription Rooms - Refurbishment		0	0	2	2
Water Source Heat Pump-Ebley Mill & Brimscombe Port	7.5	0	1,354	1,514	160
<b>Strategy and Resources Capital Schemes TOTAL</b>		<b>553</b>	<b>1,638</b>	<b>2,173</b>	<b>535</b>

### 7.2 Brimscombe Port Redevelopment

As the demolition is now to be carried out by the Council the budget forecast has changed to £646k and 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 now forms part of the Fit for the Future modernisation programme and has consequently moved to over to this project. It will continue to fund investment in ICT, however this has now been identified as needing revenue funding.

### 7.5 Water Source Heat Pumps

The water source heat pump installation at Brimscombe Port is now generating heat and final commissioning together with pipe lagging and making good of builder's work is in progress. Practical completion will be achieved by the contract end date of 31st December 2021.

The installation at Ebley Mill is delivering heat to large parts of the building and the remaining areas should have heat on by w/e 11th December and again final commissioning and builder's works will be completed by the end of December.

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.

Lucy Clothier, Accountancy Manager

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### **8.2 Legal Implications**

The Council must set a budget in accordance with provisions of the Local Government Finance Act 1992. The Council has a statutory responsibility to set and approve a balanced budget each year. Section 25 Local Government Act 2003 require that the Council, in setting its budget, must have regard to the report of its s151 officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of its proposed financial reserves.

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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.