

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

29 SEPTEMBER 2022

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|--|---|-------|----------|---------------|
| Report Title | Budget Monitoring Report Q1 2022/23 | | | |
| 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 2022/23, in order to give an expectation of possible variances against budget. | | | |
| Decision(s) | The Committee RESOLVES to note: a) the outturn forecast for the General Fund Revenue budget. b) the outturn forecast for the Housing Revenue Account c) 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 | | | |
| 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 2022/23. 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 2022 shows a projected net revenue overspend of £87k against the latest budget, as summarised in Section 3.
- 2.2 The Housing Revenue Account (HRA) shows a forecasted overspend of £269k, as shown in Section 5.

- 2.3 The capital programme, as detailed in Section 6, shows a forecast spend of £44,417m against a budget of £42,753m.
- 2.4 These figures are still subject to some significant uncertainties. It is expected that many costs will increase in excess of the inflationary uplifts allowed in the budget. In particular this is likely to be seen for salaries, utilities and labour and materials, and the full impact is not currently known.

3. Revenue Budget Position

- 3.1 Council approved the General Fund Revenue budget for 2022/23 in February 2022. This has been amended to split out the budgets now being reported to Development Control Committee.
- 3.2 The budget has been revised to include the budget allocations carried forward from 2021/22, as reported to this Committee in the Outturn 2021/22 Report.
- 3.3 The monitoring position for the General Fund at 30 June 2022 shows a **projected net overspend of £87k** against the latest budget, as summarised in Table 1.

Table 1 – General fund Summary

| | 2022/23 Original Budget £k | 2022/23 Revised Budget £k | 2022/23 Forecast Outturn £k | 2022/23 Reserve Transfers £k | 2022/23 Outturn Variance £k |
|--|-------------------------------------|------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| GENERAL FUND | | | | | |
| Community Services and Licensing | 3,307 | 3,463 | 3,748 | 0 | 285 |
| Development Control | 220 | 228 | 239 | 0 | 11 |
| Environment | 6,465 | 6,696 | 6,847 | (238) | (87) |
| Housing General Fund | 890 | 1,107 | 945 | 0 | (162) |
| Strategy and Resources | 8,807 | 8,761 | 8,958 | (157) | 40 |
| Support service charges to HRA | (2,408) | (2,408) | (2,408) | 0 | 0 |
| Net Revenue Expenditure | 17,281 | 17,847 | 18,329 | (395) | 87 |
| Funding from Govt Grants/Council Tax | (16,039) | (16,039) | (16,039) | 0 | 0 |
| Transfers to/(from) Earmarked Reserves | (1,242) | (1,808) | (1,808) | 0 | 0 |
| Total General Fund | 0 | 0 | 482 | (395) | 87 |

- 3.4 Key areas of variance:

3.5 Housing Benefit - £266k 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. Additional budget to address some of the costs was actioned as part of budget setting last financial year. 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.

3.6 Waste and Recycling – (£110k) additional income

Recycling credits and income from the sale of materials continues to be higher than budget (-£230k), although there is currently an expected overspend of £86k on the Ubico contract. This is predominantly due to rising costs. An allowance was made from the outturn position for inflationary pressures for Ubico and this will be monitored.

3.7 Covid 19 – (£204k) underspend

A budget allowance of £500k was approved to offset Covid related expenditure or loss of income by Council in February 2022.

Currently the only identified pressure relating to Covid-19 is a loss of car parking income of £296k. User numbers remain suppressed post pandemic, as people work in different ways, with less reliance on town centre locations.

3.8 Housing Advice – (£162k) underspend

The cost of temporary accommodation is currently forecast to be £100k under budget. It is possible that this could change significantly over winter. There is also additional grant income of £62k in this year.

3.9 Facilities Management - £82k overspend

There is reduced rental income due to vacant areas in Ebley Mill. These areas have been utilised whilst empty, but are being actively marketed to bring in income.

3.10 Further detail on all variances can be found in the service committee reports.

3.11 Areas of significant uncertainty

The pay award from April 2022 has not yet been agreed, although it is expected that it will be higher than the 2.5% included within the base budget. An amount of £370k has been set aside from the 2021/22 underspend and is held in reserves to help meet the additional cost.

The Council's gas and electricity contracts are due for renewal from 1 October, and although the cost is not yet known, it is expected to be well in excess of the budgeted increase of 40-50%. This is likely to have a significant impact for council buildings, in particular Ebley Mill and The Pulse.

3.12 Modernisation Savings

The Medium Term Financial Plan includes a Modernisation savings target which for 2022/23 stands at £350k. It is expected that some of this savings target will be met through vacancy savings, with additional savings to be found through the Fit for the Future programme.

The Quarter 1 position includes an estimate of £224k vacancy savings to be achieved during the year, although it should be noted that this amount is likely to fluctuate throughout the year. This leaves an estimated savings target of £126k.

Table 2 - Current estimate of vacancy savings

| Service | Vacancy Saving Forecast £k |
|-----------------------|---------------------------------------|
| Customer Services | 21 |
| Revenues and Benefits | 88 |
| Biodiversity | 22 |
| Finance | 11 |
| HR | 24 |
| ICT | 37 |
| Property Services | 21 |
| Total | 224 |

4. Strategy & Resources Committee Revenue budget

4.1 The latest budget for Strategy and Resources Committee is £8.761m. The monitoring position at Quarter 1 shows a projected net overspend of £40k.

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 2022/23

| Strategy & Resources Committee | Para Refs | 2022/23 Original Budget £k | 2022/23 Revised Budget £k | 2022/23 Forecast Outturn £k | 2022/23 Reserve Transfers £k | 2022/23 Outturn Variance £k |
|--|-----------|-------------------------------|------------------------------|--------------------------------|---------------------------------|--------------------------------|
| Car Parks | 4.3 | (659) | (659) | (362) | 0 | 296 |
| Commercial Properties | | (136) | (136) | (137) | 0 | (1) |
| Communications | 4.4 | 169 | 169 | 190 | 0 | 21 |
| Corporate Expenditure & Income | | 1,486 | 1,426 | 1,435 | 0 | 8 |
| Corporate Policy & Governance | 4.5 | 1,162 | 1,162 | 1,176 | 0 | 13 |
| Corporate Services (Legal) | | 512 | 512 | 512 | 0 | 0 |
| Covid-19 | 4.6 | 500 | 500 | 0 | 0 | (500) |
| Facilities Management | 4.7 | 434 | 434 | 516 | 0 | 82 |
| Financial Services | | 873 | 873 | 878 | 0 | 5 |
| Fit for the Future | 4.8 | 334 | 334 | 563 | (142) | 87 |
| Human Resources | 4.9 | 659 | 673 | 673 | 0 | 0 |
| Information & Communication Technology | 4.10 | 1,900 | 1,900 | 1,923 | 0 | 23 |
| Other Properties | | (768) | (768) | (749) | (16) | 3 |
| Pension Lump Sum | | 1,156 | 1,156 | 1,156 | 0 | 0 |
| Property Services | | 590 | 590 | 581 | 0 | (9) |
| Senior Leadership Team | | 591 | 591 | 600 | 0 | 9 |
| Youth Councils | | 3 | 3 | 4 | 0 | 0 |
| Strategy and Resources TOTAL | | 8,807 | 8,761 | 8,958 | (157) | 40 |

4.3 Car Parks - £296k income shortfall

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

User numbers remain suppressed post pandemic, as people work in different ways, with less reliance on town centre locations. We continue to expect income levels to recover over the coming months, but to what degree is unclear. Numbers will be monitored very closely over the coming months. It is prudent at this stage to predict an income shortfall.

4.4 Communications - £21k overspend

(Ben Falconer, xtn 4104, ben.falconer@stroud.gov.uk)

This forecast overspend is predominantly related to a salary post shared between Levelling Up and Fit for the Future. Funding for this post has been allocated within the two projects.

4.5 Corporate Policy & Governance – £13k overspend

(Hannah Emery, xtn 4383, hannah.emery@stroud.gov.uk)

Following a review of the Members' Scheme of Allowances, Council approved the Independent Remuneration Panel's recommendations in July 2022 to increase the Basic Allowance for 2021/22 by £132.00 and 2022/23 by £250.00. Special Responsibility Allowances were also increased which has resulted in a predicted overspend of £28k. There are a small number of offsetting underspends within the service contributing to the overall variance.

4.6 **COVID 19 – (£500k) underspend**

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

A budget allowance of £500k was approved to offset Covid related expenditure or loss of income by Council in February 2022.

Currently the only identified pressure relating to Covid-19 is a loss of car parking income of £296k which can be funded from the allocated budget allowance, giving a net underspend of £204k.

4.7 **Facilities Management - £82k unachieved income**

Brian McGough, xtn 4411, 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. The District Council have been actively using the spaces either for additional space during the Covid pandemic or for the contractor's site set up during the installation of the water source heat pumps.

The letting agent is now marketing both suites and there is good interest in the New Build such that we anticipate its occupation within the next 10-12 weeks.

4.8 **Fit for the Future - £87k**

(Adrian Blick,xtn 4282, adrian.blick@stroud.gov.uk)

The overspend directly relates to the iTrent implementation project costs which due to a change of scope now sits within the FFF programme. £110k paid in this financial year. There is an offsetting favourable variance due to delays in recruitment of a number of roles (Business Analyst, IT Developer) which meant that some project costs (staff and external spend on API software) were deferred from 2021/22 to 2022/23.

4.9 **Human Resources – (24k) underspend**

(Lucy Powell, xtn 4286, lucy.powell@stroud.gov.uk)

This forecast underspend is due to the service carrying several vacancies in this financial year. The current establishment has been considered and proposals raised as to what is needed going forward to ensure that the service is fully staffed in the near future. This saving has been included in the overall vacancy savings reported in 3.10.

4.10 **ICT – £23k overspend**

(Adrian Blick,xtn 4282, adrian.blick@stroud.gov.uk)

The principal variance is concerned with several software contracts including Gladstone, Civica and Uniform seeing a significant increase in their renewal costs. An underspend in salaries has been forecast due to an in year vacancy, this role is currently being recruited to with a view to the post being filled in September 2022. This saving has been included in the overall vacancy savings reported in 3.10.

5. **Housing Revenue Account Budget Position**

5.1 The original net Housing Revenue Account (HRA) budget for 2022/23 is a transfer to reserves of £1,008k, as approved by Council in February 2022.

5.2 The budget monitoring position for the HRA at Quarter 1 shows a projected net overspend of £269k (1.0% of gross spend) against the current budget, as shown in the below table.

Table 4: HRA Revenue Summary

| | 2022/23 Original Budget £k | 2022/23 Revised Budget £k | 2022/23 Forecast Outturn £k | 2022/23 Reserve Transfers £k | 2022/23 Outturn Variance £k |
|--------------------------------------|-------------------------------------|------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| Housing Committee | | | | | |
| Total Income | (24,058) | (24,058) | (23,885) | 0 | 173 |
| Total Expenditure | 11,551 | 11,551 | 11,647 | 0 | 96 |
| Total Other Costs and Income | 14,673 | 14,673 | 14,673 | 0 | 0 |
| Total Net Expenditure | 2,166 | 2,166 | 2,435 | 0 | 269 |
| Transfers to/from Earmarked reserves | (1,158) | (1,158) | (1,158) | 0 | 0 |
| Transfers to/from General Reserves | (1,008) | (1,008) | (1,008) | 0 | 0 |
| Total Housing Revenue Account | 0 | 0 | 269 | 0 | 269 |

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 – £173k loss of income

Rents continue to be lower than budgeted, but voids have reduced dramatically from last year. During the course of the last financial year the number of empty council house properties undergoing works to make them ready to be let significantly reduced from 164 at the start of 2021/22 to 71 at the year end. The Property Care team have worked exceptionally hard over this period and during the first quarter of 2022, and have reduced the figure further to 41, which is now in line with pre pandemic levels.

Income levels will continue to be monitored.

5.6 Supervision and management – (£201k) underspend

There are salary savings of £172k, predominantly in Contract Services and the New Build team.

5.7 Repairs and maintenance – £218k overspend

Vacancies within the operatives at Property Care will need to be covered with subcontractors. The reported overspend relates to slippage on insurance works (+£140k) that were reported in 2021/22, but have slipped into 2022/23. There is also additional council tax payable on void properties of £50k.

5.8 Independent Living Modernisation - £75k overspend

Uncontrollable delays to the new build programme have meant that the demolition of Glebelands and Cambridge House is now later than planned with council tax remaining payable on the old properties, until demolition has taken place.

5.9 Areas of significant uncertainty

The financial position of the HRA will be greatly affected by changes in cost during the year which are not yet known. Unlike the General Fund the HRA will need to cover any additional salaries cost in year as there was no underspend in 2021/22 to put aside for these costs.

The expected increase in utilities will also affect the HRA for communal areas of blocks of flats and Independent Living Schemes. There are also five Independent Living Schemes that have district heating systems that supply approximately 168 properties. The heating and hot water used by the tenants is charged through a fixed service charge. This means that the increased cost will not be passed on to tenants unless new service charges are put

in place by Housing Committee, which is not currently being proposed. The additional cost will need to be subsidised by the wider HRA.

It is also expected that the cost of labour and materials will be in excess of the budget allowed. Further analysis is being undertaken to determine the expected costs and what can be delivered within the resources (predominantly staffing). This will affect repairs and maintenance, including works undertaken by Property Care and external contractors, as well as the new build programme.

6. Capital Programme

6.1 The current capital programme, following the addition of slippage from 2021/22 is £42.753m. The current forecast spend is £44,417m, net additional spend of £1.664m.

6.2 General Fund Capital

6.3 Overall the total General Fund capital programme spend is expected to be £14,232k against a budget of £16,149k.

6.4 There are some areas of forecast slippage, including the Canal restoration (-£3,173k) and the Stroud and District cycling and walking plan (-£292k). These are all only timing differences and will not affect the overall costs, although a full update on the position of the Canal Phase 1B scheme will be reported later this year.

6.5 The General Fund capital programme has one area of overspend relating to Brimscombe Port. The expected cost is higher than the budget due to additional asbestos being found which has increased the cost of demolition.

6.6 The Green Homes LADS for park homes to provide insulation to Park Homes, and the Warm Homes partnership project to provide first time central heating, have both been extended into the early months of 2022/23. These schemes are now complete and the costs will be fully funded.

6.7 A new Warm homes Low Carbon Initiatives scheme has started after the last round of budget setting. This new project has been set up to provide first time renewable central heating to off gas homes with funding provided from the National Grid Warm Homes Fund. The budget will be brought into line with the overall budget allocation at the next budget setting and reported in Q2 2022/23.

6.8 HRA Capital

6.9 The Major Works programme is currently only showing additional spend of £2,742k relating to the successful bid for Wave 1 Decarbonisation funding scheme, which was secured following the last round of budget setting. The Decarbonisation project will be part grant funded from the Department for Business, Energy and Industrial Strategy (BEIS).

6.10 A review of all existing schemes will be undertaken, and a revised budget requested at budget setting to take into account increases in prices, internal resource available and issues with some existing contractors.

6.11 Construction is complete at Broadfield Road and Ringfield Close and an assessment of closure costs and the outturn position is underway. These sites have delivered a total of 29 affordable properties (24 affordable rent, 3 shared ownership and 2 Older person's shared ownership). The final project costs and outturn position will be reported in a future budget monitoring report when the assessment of closure costs is complete.

6.12 Broadfield Road, Eastington reports a £27k overspend and Ringfield Close, Nailsworth reports a £802k overspend which predominantly relates to additional costs being identified due to delays from covid and increased costs. Current indications show that the increase in

build costs will have a significant impact on future schemes and further work is underway to establish viability of these schemes.

Table 5 – Capital Summary

| | 2022/23 Original Budget £k | 2022/23 Revised Budget £k | 2022/23 Forecast Outturn £k | 2022/23 Outturn Variance £k |
|---|-------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Capital Schemes | | | | |
| Community Buildings Investment | 0 | 117 | 117 | 0 |
| Stratford Park Lido | 190 | 220 | 220 | 0 |
| Community Services Capital Schemes TOTAL | 190 | 337 | 337 | 0 |
| Canal | 7,259 | 8,026 | 4,853 | (3,173) |
| Multi-Service Contract Vehicles | 466 | 1,232 | 1,232 | 0 |
| Rural SuDS Project | 30 | 40 | 70 | 30 |
| Stroud District Cycling & Walking Plan | 0 | 395 | 103 | (292) |
| Wallbridge-Gateway | 100 | 100 | 100 | 0 |
| Environment Capital Schemes TOTAL | 7,855 | 9,793 | 6,358 | (3,435) |
| Better Care Fund Projects | 0 | 0 | 3 | 3 |
| Disabled Facilities Grant Scheme | 350 | 350 | 350 | 0 |
| Green Home LADS Park Homes | 0 | 0 | 90 | 90 |
| Green Homes LADS 3 | 1,030 | 945 | 945 | 0 |
| Health through Warmth Grants | 200 | 200 | 200 | 0 |
| Home Upgrade Grant - Sustainable Warmth | 4,218 | 4,133 | 4,133 | 0 |
| Private Sector Housing Loans | 15 | 15 | 15 | 0 |
| Temporary Accommodation | 0 | 190 | 190 | 0 |
| Warm Homes | 0 | 0 | 40 | 40 |
| Warm Homes-Low Carbon Initiatives | 0 | 0 | 1,000 | 1,000 |
| Housing General Fund Capital Schemes TOTAL | 5,813 | 5,833 | 6,965 | 1,132 |
| Brimscombe Port Redevelopment | 174 | 174 | 560 | 385 |
| Electric Vehicle Acquisition | 0 | 12 | 12 | 0 |
| ICT Investment Plan | 0 | 0 | 0 | 0 |
| Water Source Heat Pump-Ebley Mill & Brimscombe Port | 0 | 0 | 0 | 0 |
| Strategy and Resources Capital Schemes TOTAL | 174 | 186 | 572 | 385 |
| TOTAL GENERAL FUND CAPITAL SCHEMES | 14,032 | 16,149 | 14,232 | (1,917) |
| Major Works | 8,425 | 9,151 | 11,893 | 2,742 |
| Other Capital Works | 0 | 435 | 435 | 0 |
| New Build and Development | 10,571 | 11,369 | 12,209 | 840 |
| Independent Living Modernisation | 648 | 648 | 648 | 0 |
| Acquisitions | 2,000 | 5,000 | 5,000 | 0 |
| TOTAL HRA SCHEMES | 21,644 | 26,603 | 30,185 | 3,582 |
| TOTAL CAPITAL SCHEMES | 35,677 | 42,753 | 44,417 | 1,664 |

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 **£572k**.

Table 6 – Strategy and Resources Capital Programme

| | 2022/23 Original Budget (£'000) | 2022/23 Revised Budget (£'000) | 2022/23 Forecast Outturn (£'000) | 2022/23 Outturn Variance (£'000) |
|---|--|---|---|---|
| Strategy & Resources Capital Schemes | | | | |
| Brimscombe Port Redevelopment | 174 | 174 | 560 | 385 |
| Electric Vehicle Acquisition | 0 | 12 | 12 | 0 |
| Strategy and Resources Capital Schemes Total | 174 | 186 | 572 | 385 |

7.2 Brimscombe Port Redevelopment

The majority of the variance is due to the demolition costs being considerably more than anticipated. Legal fees are a lot higher than projected due to the complexities of the project becoming more apparent as it has progressed. In addition the change in programme (delays to demolition and extended procurement) resulted in re-profiling of the costs moving from 21/22 to 22/23.

7.3 Electric Vehicle Acquisition

The remaining capital budget of £12k will be utilised in installing electric vehicle points across the county. A Consultancy service have been engaged to produce a report to identify recommendations for EV charging rollout within our car parks and the most appropriate operating model.

8. IMPLICATIONS

8.1 Financial Implications

This report is of a financial nature, reporting on previous financial activities and expected forecasts. Potential financial pressures are detailed in the report.

Lucy Clothier, Accountancy Manager
Email: lucy.clothier@stroud.gov.uk

8.2 Legal Implications

There are no specific legal implications arising from this report and its recommendations.

One Legal, Tel: 01684272691 Email: legal.services@teWKesbury.gov.uk

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.