

## FINANCE & PERFORMANCE SCRUTINY COMMITTEE

28<sup>TH</sup> NOVEMBER 2023

### General Fund & HRA Revenue

#### Revenue Monitoring Position for October 2023

#### Report of the Head of Finance

This report covers the General Fund and HRA to the end of October 2023, Period 7. The variances reported are the differences between the profiled budgets and the actual spend including commitments.

#### General Fund Summary Position Period 7 – Appendix 1

The General Fund full year's budget is £22,379k. Period 7 Budget is, £13,944k against Actual costs including commitments is £13,796k is an **underspend of £148k** 1.1% of the budget to date. Details of variances are included in Appendix 2.

The working balance use of reserves was set at £1,297k for 2023/24, any further under/overspend in service costs will affect this balance at year end.

This report also includes Loughborough Special Expenses variance report as at Period 7 and year end forecast (Appendix 3).

#### Analysis of Appendix 2

#### *Salaries & Agency costs – Table 1*

The full year salary budget is £14,340k, Period 7 Budget is £8,060k against Actual costs of £7,542k, this is an **underspend of £519k**. These costs do not include the pay award for NJC officers but has now been agreed at a flat rate of £1,925. The pay award for JNC officers has already been awarded and settled, the budgeted pay award for the year was 4.75% for all staff. The impact of a flat rate £1,925 has added an additional in year budget pressure of £223k to the General Fund.

Agency costs budget as at period 7 is £423k with an actual spend of £832k. This is £408k adverse/overspend. This is summarised as follows:

**Table showing agency spend by Head of Service**

| Head of Service                               | Current Budget (£'000) | Actuals (£'000) | Variance Under/ (Over) (£'000) |
|---|------------------------|-----------------|--------------------------------|
| Head of Economic Development and Regeneration | 47                     | 68              | (21)                           |
| Head of Governance and Human Resources        | 48                     | 49              | (1)                            |
| Head of Planning and Growth                   | 308                    | 695             | (387)                          |
| Head of Regulatory and Community Safety       | 20                     | 20              | 0                              |
|   | <b>423</b>             | <b>832</b>      | <b>(408)</b>                   |

## ***Managed Vacancy Savings***

General Fund managed vacancy saving target is £370k for the year, with actual MVS as at Period 7 of £452k. However, £223k has been transferred to cover agency spend. Therefore, the net MVS as at period 7 is £229k leaving a MVS balance of £141k for the remaining 5 months to reclaim.

## ***Hot Topics - Table 4***

### **Expenditure**

- Bank Charges - £47k adverse. Increasing bank/transaction costs.
- Consultants Fees - £102k adverse. Fees associated with accommodation feasibility study (£43k) and Planning overspend by £22k. Housing Strategy £12k, plus other minor variances.
- Legal Costs - £50k adverse. Barristers Chambers legal costs regarding Land off Leconfield Road, Nanpantan.
- External Audit fees - £50k adverse. Impact of increased audit fees introduced by Public Sector Audit Appointments (PSAA).
- Software/Azure charges - £31k adverse. In year inflationary pressures.

A key risk within the Council's finances relate to unrecoverable housing benefit arising from the provision of supported living accommodation by charitable organisations such as the Carpenters Arms. Expenditure to date, versus an annual budget of £665k, does not suggest an issue but a rent increase has been requested by the Carpenters Arms with effect from 1 July 2023 in respect of this accommodation. If fully justifiable (the Council is challenging the increases) and matched by 100% occupancy this could result in an additional cost burden in the order of £1.4m pa. The potential adverse impact in the 2023/24 financial year could be up to £500k compared to the existing budget, but no provision is included in the outturn projections within this paper at this stage.

### **Income**

- Management Contract (Leisure) - £155k adverse. As a result of ongoing operational difficulties with our leisure operator, Fusion, we are currently in discussion over the likelihood of the management fee £325k not being received, this would be part offset by non-payment of the utility risk £25k.
- Car parking charges - £24k favourable. Anticipate this being c£32k up by year end taking into account the one-off service pressure for 2023/24 of £189k.

Bed & Breakfast and Supported accommodation - £135k favourable. This is heavily dependent on future demand, with particular regard to the closure by the Home Office of Asylum Hotels. The budget is being kept under close review and this forecast may alter significantly by period 9.

### **Other major (Adverse)/Favourable variances identified at Period 7 – Table 5**

Other variances identified as at period 7 (which are greater than £25k): -

#### **Expenditure**

- Hardware Maintenance Charge - £31k adverse. Payments have been made in advance for future financial years. These will be accounted for at year end.

#### **Income**

- Contribution towards Costs - £11k adverse. Not material
- Reimbursement – £13k favourable. Should balance out at outturn.

### **Income – Table 6**

Major income lines are summarised as: -

- Environmental services - £25k favourable. Increase in take up of the Garden bin service Income up £31k as at period 7, it is anticipated this will be c£50k at year end. Bulky Waste Collection £6k adverse as at period 7.
- Planning - £159k favourable. Planning fees increased income due to increased demand for services. There was also an increase in Building Control Income.
- Town hall - £65k favourable. Bar sales and catering due to increased number of shows (including those re-scheduled due to the fire in March 2023). General hires have exceeded expectations, a number of which have had extensive catering requirements which has also boosted income.
- Town hall concerts & shows - £7k adverse. Concerts and show income is expected to be c£200k above budget considering the panto and new year shows with a reasonable forecast regarding the income they should generate. However associated costs & artist fees will increase as a proportion of the income c£140k overspent.
- Commercial property income - £2k favourable. Recovery of additional Saturday opening hours for DWP (£15k favourable) and vacant units during the year and agreed reduction in rent for Citizens Advice Bureau (CAB) - £17k adverse plus other minor variances.
- Licensing - £21k adverse. Unlikely to meet the income targets mainly due to continued impact of covid which has reduced the demand for various licenses mainly taxis & betting shops/part mitigated within HofS area however estimated income shortfall c£36k.
- Other - £12k favourable.
- Government grants - £4k favourable. No comment

### **Forecast Out-turn – Appendix 4**

There is an overall net General Fund favourable variance as at period 7 of £148k. With 5 months of the year remaining, the forecast outturn position is estimated an overall favourable variance of £66k, although, as note previously there is a particular risk around unrecoverable housing benefit subsidy that could significantly worsen this position.

This forecast is at a controllable level and does not include financing income and costs. Increased interest rates are likely to lead to above budget investment income which should improve the outturn position.

### **Trading Accounts Period 7 – Appendix 5**

Trading Account reports have been produced for the services below, showing a (surplus/contribution) to the Council’s budget or a Cost to the council.

| <b>Trading Account Summary Period 7 October 2023</b>         | <b>Budget<br/>P7<br/>£000's</b> | <b>Actual<br/>P7<br/>£000's</b> | <b>Variance<br/>(Adv)/Fav<br/>£000's</b> |
|--|---------------------------------|---------------------------------|--|
| Town Hall Management   | 539                             | 545                             | (6)                                      |
| Town Hall Bars, Concerts & Shows, Lettings                   | (83)                            | (147)                           | 64                                       |
| <b>Town Hall Net Cost</b>                                    | <b>456</b>                      | <b>398</b>                      | <b>58</b>                                |
| Oak, Ark, Woodgate Industrial Units                          | (190)                           | (182)                           | (8)                                      |
| Chainbridge, Messenger Close, Loughborough Park, Meadow Lane | (223)                           | (217)                           | (6)                                      |
| <b>Industrial Units Net Surplus</b>                          | <b>(413)</b>                    | <b>(399)</b>                    | <b>(14)</b>                              |
| <b>Planning Service Net Cost</b>                             | <b>743</b>                      | <b>924</b>                      | <b>(181)</b>                             |
| <b>Building Control Shared Service Net Cost</b>              | <b>59</b>                       | <b>185</b>                      | <b>(126)</b>                             |

### **Housing Revenue Account Summary Position Period 7 - Appendix 6**

The Housing Revenue Account full year budget is (£11,158k). Period 7 budget is (£7,643k) against Actual costs including commitments of (£6,466k) is an **overspend of £1,177k, 15%** higher than the budget to date. Details of variances are included in Appendix 7.

#### **Salaries and Agency costs**

The full year salary budget is £7,347k, Period 7 Budget is £4,286k against Actual costs of £3,372k, this is an **underspend of £914k**. These costs do not include the pay award for NJC officers but has now been agreed at a flat rate of £1,925. The pay award for JNC officers has already been awarded and settled. The budgeted pay award for the year was 4.75% for all staff. The impact of a flat rate £1,925 has added an additional in year budget pressure of £119k to the Housing Revenue Account. Agency costs budget as at period 7 is £0k with an actual spend of £832k. This is **£832k adverse/overspend**

There are agency costs and commitments totalling £832k. This is netted off the salary underspends although that still leaves an overall overspend of £13k. Budget changes over £200k need to be approved by Cabinet.

## **Managed Vacancy Saving**

Housing Revenue Account managed vacancy saving target is £183k for the year, the budgeted MVS at Period 7 is £107k. Due to the salary/agency overspend, there have been no MVS transfer made to date.

## **Other major (Adverse)/Favourable variances Identified at Period 7**

### **Adverse variances:**

- General Repairs £262k
- Void Repairs £60k
- Legal costs – disrepairs £136k
- Lost income on empty properties (voids) £347k
- Utility bill costs for empty properties (voids) £50k
- Estate Maintenance £43k
- Management of trees and shrubs/estate maintenance £39k
- Major Repairs Technical Support £96k
- Gas and Solid Fuel Servicing £49k
- Consultant Fees £39k

### **Favourable variances:**

- Facia Soffit RWG £41k
- Leased vehicles £20k

## **Forecast Outturn**

Predicted overspend of £1,263k on Landlord Services:

- General repairs £900k
- Voids repairs £177k
- Rechargeable repairs income 10k shortfall
- Tenancy and Estate £176k

Other predicted overspends:

- Council Tax on empty properties £191k
- Rent Loss on void properties (non Sheltered) £383k
- Rent Loss on void properties (Sheltered) £172k
- Housing Allocations £68k (Strategic Housing)

Total £2,077k overspend.

In a context of high inflation, the cost of materials used by the repairs service has increased significantly over the period; by 86% from 2019/20 to 2023/24.

A significant amount of void loss is associated with sheltered accommodation which will never be let. A review of sheltered accommodation is in progress. The need to reduce void loss at general needs accommodation has been identified and actions are in progress. Additional Allocations Officers have been recruited to. A voids manager post has been created and interviews held. A contractor is now in place to work on major

voids, and a procurement process for a contractor to clear a backlog of standard void works is in progress.

Like many landlords the council has seen an increase in the number of disrepair claims. A specialist external solicitor has been engaged, along with an additional surveyor and a business support officer, however the costs associated with this are high. Options in respect of a dedicated contractor to deal with claims of this nature are being explored.

There is an anticipated reduction in capital expenditure which will mean there will be less revenue contribution to capital from the HRA and its reserves, which will mitigate these additional costs and the overspends detailed above.

In 2023/24 there have been two additional Cabinet reports – an additional £500k funded from HRA Financing Fund to be spent one off item if necessary, (Item 6 Landlord Services Capacity – 1 June 2023) and £858k for the procurement of a new voids repair contractor which includes salary costs to accommodate this (Item 23 Procurement of a Voids Repairs Contractor 10 August 2023). These budgets are not part of the variances within this report but are additional costs from the HRA financing fund. As stated above, the additional resources within Housing Allocations and Repairs budget will improve the turnaround of void properties, subsequently reducing the lost rental income.

## Rent Arrears

The rent arrears position as at the end of P7 was: -

| <b>Rent and Service Charge Arrears<br/>As at Period 202307</b> | <b>2022/23<br/>£000</b> | <b>2023/24<br/>£000</b> |
|--|-------------------------|-------------------------|
| Arrears at the beginning of the year                           | 1,063                   | 984                     |
| Court Costs at the beginning of the year                       | 115                     | 97                      |
|  | 1,178                   | 1,081                   |
| Arrears at the end of the October 2023                         | 1,257                   | 1,175                   |
| Court Costs at the end of the October 2023                     | 67                      | 95                      |
|  | 1,324                   | 1,270                   |
| Amount written off in the year to date                         | 22                      | 79                      |

Current dwelling rent arrears reduced by £57,134 between the end of October 2022 and the end of October 2023. Former tenant arrears decreased by £34,519 over the same period. Rent collection at the end of October (including arrears brought forward) was 94.28% compared with 93.54% at the end of October 2022.

The numbers of tenants receiving universal credit (UC) continues to rise slowly. During the year to the end of October 2023 numbers increased by 166 to 1,874. Total UC rent arrears have decreased as have overall current arrears and stood at £522,911 at the end of October, a reduction of £21,161 over the year. The average debt of a tenant in rent arrears and receiving universal credit at the end of October was £469 compared to £531 a year ago. UC is paid to the claimant as a single monthly payment in arrears. It takes at least five weeks for the Department for Work and Pensions to assess a claim and for tenants to receive their first payment of the benefit. A rent debt is often accrued

as a result. In some instances, on receipt of the benefit tenants do not pay the rent to the council. Advice and support are offered to all tenants moving to universal credit by the landlord services' financial inclusion and tenancy support teams. Where tenants have vulnerabilities and/or owe eight or more weeks' rent our universal credit officer makes applications to the DWP to switch payment of the housing element of UC from the tenant to the council. Rent recovery action is taken where necessary.

### **Appendix 8 – Additional Item as requested**

As requested by FPSC on 12<sup>th</sup> September 2023 a comparison from several previous years of agency costs and direct employee related costs are included at Appendix 8.

- Table 1 – General Fund
- Table 2 – Housing Revenue Account

### **Summary of appendices**

Appendix 1 - General fund Head of Service by Directorate Report as at period 7.

Appendix 2 - General fund Subjective Analysis as at period 7.

Appendix 3 - Loughborough Special Expenses as at period 7.

Appendix 4 - General fund Outturn Forecast as at period 7.

Appendix 5 - General fund Trading Accounts as at period 7.

Appendix 6 - Housing Revenue Account Expenditure and Income as at period 7.

Appendix 7 - Housing Revenue Account Subjective Analysis as at period 7.

Appendix 8 - Additional Item as per 12<sup>th</sup> September FPSC.

### **Officers to Contact:**

Acting Head of Financial Services

Neil Whittall, Ext 2515, [neil.whittall@charnwood.gov.uk](mailto:neil.whittall@charnwood.gov.uk)

Group Accountant

Ian Allwyn, Ext 4824, [ian.allwyn@charnwood.gov.uk](mailto:ian.allwyn@charnwood.gov.uk)