

FINANCE & PERFORMANCE SCRUTINY COMMITTEE

5TH MARCH 2024

General Fund & HRA Revenue

Revenue Monitoring Position for December 2023

Report of the Head of Finance

Lead Member: Cllr Ashcroft

This report covers the General Fund and HRA to the end of December 2023, Period 9. The variances reported are the differences between the profiled budgets and the actual spend including commitments.

As would be expected for this stage in the financial year, a number of variances, both positive and negative, have arisen. This cover report discusses those deemed more significant – where these are considered material in quantum and/or part of an underlying trend. Additional variances arising are listed in the appendices to this report for information.

General Fund Summary Position Period 9

The General Fund full year's budget is £21,984k.

The Period 9 Budget is £17,797k against Actual costs incurred (including commitments) of £17,955k. This is an **overspend of £159k**, representing 0.99% of the budget to date.

This situation is summarised at Head of Service level at Appendix 1.

Forecast Out-turn – Appendix 3

As noted above, there is an overall net General Fund adverse variance as at period 9 of £159k. With three months of the year remaining, the forecast outturn position is estimated at an overall adverse variance of £247k, although, as discussed subsequently, 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, leading to an overall position, based on the current forecast in line with the budget.

It may be noted that the budget assumes use of the working balance of reserve of £1,297k for 2023/24. Any overspend arising will naturally create additional usage of the working balance and impact on the starting position (which assumes a budget position) for the 2024/25 financial year.

Detailed General Fund variance analysis

Appendix 2 contains a series of tables with more details on variances to date. Salient points are set out below.

Salaries & Agency costs – Table 1

The full year salary budget is £13,747k, Period 9 Budget is £10,167k against actual costs of £10,062k, this is an **underspend of £105k**. These costs now include the settled pay award for 2023/24.

Agency costs budget as at period 9 is £465k with an actual spend of £1,070k. This is £605k 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	89	95	(6)
Head of Governance	48	57	(9)
Head of Planning and Growth	308	898	(590)
Head of Regulatory and Community Safety	20	20	0
	465	1,064	(605)

Managed Vacancy Savings

General Fund managed vacancy saving target is £370k for the year, with actual MVS as at Period 9 of £461k. However, £223k has been transferred to cover agency spend. Therefore, the net MVS as at period 9 is £238k leaving a MVS balance of £132k for the remaining 3 months to reclaim.

However, it is noted that due to the additional pay award the full MVS is unlikely to be realised.

Utilities – Table 2, Major contracts – Table 3

No matters of note.

Hot Topics - Table 4

This table covers a range of expenditure types which have suggested additional monitoring may be appropriate.

Expenditure

Many adverse expenditure variances can be attributed to one-off factors such as consultancy or legal costs but bank charges - **£61k adverse** – and software charges - **£53k adverse** - appear part of a trend of above inflationary increase in charges.

There are also well documented issues within the local government audit sector which are reflected with the increase in audit fees - **£53k adverse**.

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.

Bed & Breakfast costs

Bed & Breakfast and Supported accommodation - **£177k 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 year-end. The underspend at period 9 is due to fewer B&B placements to date than budgeted. Cold weather and potential asylum cases may increase spend between January and March 2024.

Income

Management Contract (Leisure) - **£233k adverse**. In common with the leisure sector generally the leisure operator is struggling to deliver its contractual income contributions to the Council. Discussions with the contractor are continuing with a view to revising the contract on mutually acceptable conditions but it is likely that future budgets will need to be revised to reflect the new, more difficult, trading conditions.

Income – Table 5

Major income lines are summarised as: -

- Environmental services - **£32k favourable**. Principally attributable to an increase in take up of the Garden bin service
- Planning - **£410k favourable**. Planning fees increased income due to increased demand for services. There was also an increase in Building Control Income.
- Town hall – bar sales - **£44k favourable**. Income from bar sales and catering are higher than budget due to an increased number of shows, also the general hires have exceeded expectations due to extensive catering requirements.
- Town hall concerts & shows - **£44k favourable**. Show income up £217k at period 9 includes panto to the end of December 2023, part offset by additional artist fees £172k. Concerts and show income is expected to be c£306k favourable at year-end with associated costs and artist fees increasing as a proportion of the income (c£246k) at year-end. estimated income shortfall c£29k. This has been addressed for the 2024/25 budget.

- Other - Loughborough Market - **£62k adverse** – trading continues to be difficult for the markets and this is an area where we will be looking to take proactive action to reverse this longstanding trend

Other – table 6

No matters of note.

Trading Accounts Period 9 – Appendix 4

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.

Trading Account Summary Period 9 December 2023	Budget P9 £000's	Actual P9 £000's	Variance (Adv)/Fav £000's
Town Hall Management	766	773	(7)
Town Hall Bars, Concerts & Shows, Lettings	(495)	(518)	23
Town Hall Net Cost	271	255	16
Oak, Ark, Woodgate Industrial Units	(161)	(155)	(6)
Chainbridge, Messenger Close, Loughborough Park, Meadow Lane	(224)	(215)	(9)
Industrial Units Net Surplus	(385)	(370)	(15)
Planning Service Net Cost	1,024	1,042	(18)
Building Control Shared Service Net Cost	88	196	(108)

Housing Revenue Account

Summary Position Period 9 - Appendix 5

The Housing Revenue Account full year budget is (£11,130k). Period 9 budget is (£8,971k) against Actual costs including commitments of (£7,374) is an **overspend of £1,596k** (expenditure and charges £1,159k adverse; income loss £437k adverse), **18%** higher than the budget to date.

Year end outturn forecast

The year end outturn is forecast at **£1,831k**. This is discussed further in subsequent paragraphs.

Detailed variance analysis – Appendix 6

Salaries and Agency costs

The full year salary budget is £7,354k, period 9 Budget is £5,485k against Actual costs of £5,796k, this is an overspend of £311k. 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. The pay-awards, including backpay to period 10 are included in these figures.

Agency costs budget as at period 9 is £0k with an actual spend of £1,055k. This is £1,055k adverse. This is netted off the salary underspends although that still leaves an **overall overspend of £311k.**

Managed Vacancy Saving

Housing Revenue Account managed vacancy saving target is £183k for the year, the budgeted MVS at Period 9 is £95k. Due to the salary/agency overspend, there have been no MVS transfer made to date.

Other major (Adverse)/Favourable variances Identified at Period 9

Adverse variances > £50k:

- General Repairs £549k
- Void Repairs £79k
- Legal costs – disrepair £187k
- Lost income on empty properties (voids) £452k
- Utility bill costs for empty properties (voids) £52k
- Council Tax for empty properties £105k
- Agency costs overspend on Housing Allocations £142k
- Management of trees and shrubs/estate maintenance £141k
- Managed Vacancy Saving Target £122k

Favourable variances > £50k:

- Planned Maintenance £140k
- Facia/Soffits/RWG £97k

Forecast Outturn

Predicted net overspend of £1,331k on Landlord Services:

- General repairs £1,001k
- Voids repairs £200k
- Tenancy and Estate £176k
- Salaries – Managed Vacancy Saving £141k

Predicted underspends:

- Planned Maintenance £230k
- Business Support £52k

Other predicted overspends:

- Council Tax on empty properties £241k
- Salaries – pay-award £119k
- Rent Loss on void properties £603k (Overall void loss is 7.25% and sheltered court properties 30%)
- Housing Allocations £40k (Strategic Housing)

Other predicted underspend:

- Revenue contribution to capital £503k (based on year-end forecast of the capital programme)

This is projected to lead to a total £1,831k overspend. Two of the main drivers are set out below:

Inflationary increase in repairs materials costs - budgets have not been increased in several years, and the cost of materials used by the repairs service has increased significantly over this period; by 86% from 2019/20 to 2023/24. A budget pressure for 2024/2025 has been submitted to reflect this.

Costs associated with void properties - a significant amount of void loss is associated with sheltered accommodation units which will never be let. A sheltered accommodation strategy framework setting out a direction of travel for dealing with these properties is due to be considered by Cabinet on the 7th March 2024. The need to reduce void loss at general needs accommodation has also been identified and actions are in progress. Additional Allocations Officers have been recruited to and contracts awarded to increase the number of properties let and voids repaired, respectively. A void repairs manager has also been appointed and commenced in post in January 2024. It is therefore expected the number of void properties and associated costs will reduce in 2024/2025.

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. This also excludes an additional £50k earmarked from this £500k to assist in the aftermath of the recent flooding in Loughborough. It is assumed that a proportion of this expenditure will be recoverable through insurance. 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 period 9 was: -

Rent and Service Charge Arrears As at Period 9	2022/23 £000	2023/24 £000
Arrears at the beginning of the year	1,063	984
Court Costs at the beginning of the year	115	97
	1178.00	1081.00
Arrears at the end of the December 2023	1,217	1,106
Court Costs at the end of the December 2023	96	98
	1313.00	1204.00
Amount written off in the year to date	43	96

Current dwelling rent arrears reduced by £69,408 between the end of December 2022 and the end of December 2023. Former tenant arrears decreased by £10,104 over the same period. Rent collection at the end of December 2023 (including arrears brought forward) was 96.18% compared with 95.47% at the end of December 2022.

The numbers of tenants receiving universal credit (UC) continues to rise slowly. During the year to the end of December 2023 numbers increased by 162 to 1,893. Total UC rent arrears have decreased as have overall current arrears and stood at £413,771 at the end of October 2023, a reduction of £58,101 over the year. The average debt of a tenant in rent arrears and receiving universal credit at the end of December was £457 compared to £546 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 7 – Additional Item as requested

As requested by FPSC on 12th 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 9.

Appendix 2 - General fund Subjective Analysis as at period 9.

Appendix 3 - General fund Outturn Forecast as at period 9.

Appendix 4 - General fund Trading Accounts as at period 9.

Appendix 5 - Housing Revenue Account Expenditure and Income as at period 9.

Appendix 6 - Housing Revenue Account Subjective Analysis as at period 9.

Appendix 7 - Additional Item as per 12th September FPSC.

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