

Title of Report	2023/24 QUARTER 3 GENERAL FUND AND HOUSING REVENUE ACCOUNT (HRA) UPDATE	
Presented by	Paul Stone Director of Resources/S151 Officer	
Background Papers	2023/24 Quarter 3 General Fund Finance Update - Cabinet 26 March 2024 2023/24 Quarter 3 Housing Revenue Account HRA Finance Update - Cabinet 26 March 2024	Public Report: Yes
Financial Implications	The report outlines the financial position of both the General Fund and Housing Revenue Account as at Quarter 3 2023/24.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	No legal implications arising from this report.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	Any staffing implications of this report are detailed in the body of the report and the attached appendices.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To provide Corporate Scrutiny with an update on the financial position for the General Fund and HRA as at Quarter 3 2023/24.	
Recommendations	THAT CORPORATE SCRUTINY COMMITTEE NOTES: 1. THE FORECAST OVERSPEND ON GENERAL FUND FOR 2023/24 2. THE FORECAST OVERSPEND ON THE HOUSING REVENUE ACCOUNT 2023/24	

1.0 PURPOSE OF THE REPORT

- 1.1 To update Members on the financial position of the Council following the third quarter's budget monitoring exercise for both the General Fund and Housing Revenue Account details of which were reported to Cabinet on 26 March 2024.

2.0 GENERAL FUND

2.1 The projections at quarter 3 forecast an overspend of £333k. Appendix A provides detail of the report presented to Cabinet on 26 March 2024. There are a number of variances which make up the forecast outturn and these are highlighted in paragraph 2.1.4 of the General Fund Report shown in Appendix A.

2.2 The report reveals an overspend in the 2023/24 financial year. However, it is important to note that these overspends are largely attributable to one-off activities or temporary measures that have been implemented. For example:

- Industrial action within the waste collection services necessitated additional expenditure to maintain service continuity.
- A delay in the delivery of new vehicles led to increased costs due to the need for extended vehicle hire.
- Earlier in the year, there was a deficit due to the loss of rental income; however, this has been partially mitigated as some previously unoccupied industrial units are now tenanted.

2.3 The report indicates that these are not recurring costs and are associated with unforeseen circumstances or investments that will not persist into future budgets.

2.4 Although Appendix A contains detailed information, Cabinet Members expressed concerns regarding additional specific items for which a more detailed summary is provided below.

- **Planning and Development – Agency Costs:** There was an initial reliance on agency staff early in the year to maintain service continuity. Recent trends indicate a reduction in these costs.

- **Tanyard House Vacancies:** Half of the units at Tanyard House are currently unoccupied, with one unit becoming vacant in November 2023 and two others remaining vacant throughout the year.

- **Whitwick Business Centre Repairs:** Unforeseen repair costs for the boiler, roof, and doors at Whitwick Business Centre arose, which were not accounted for during the accommodation project.

- **Whitwick Business Centre Business Rates:** Due to vacant units, the Council was liable for the business rates for the unlet units.

- **Courtyard Vacancies:** Out of 16 units, three are vacant, including one that was vacated at the end of May. Due to enforcement action against an occupier, outstanding rent is unlikely to be recovered.

- **Council Offices Overspends:** Financial overruns have occurred due to holding costs associated with the inability to demolish the council offices until items are cleared and the CCTV feed is redirected to Stenson House. Appropriate storage solutions are being identified for items that must be retained.

- **Leisure Contract Utilities:** The additional costs for utilities under the leisure contract with Everyone Active are variable, depending on usage and market prices for gas and electricity. A business rates appeal has been lodged in relation to the ratable value at the Whitwick and Coalville Leisure Centre.

- **Increased Vehicle Hire:** There was a notable increase in vehicle hire, with five refuse vehicles being rented during the fiscal year 2023/24 due to a delay in the delivery of new vehicles.

- **Refuse and Recycling Agency Costs:** High levels of staff sickness averaging 11% have led to increased agency costs in refuse and recycling services. Additional human resources capacity has been identified to work with service managers as part of the Council's transformation programme.

- **Overtime Expenditure:** Industrial action and subsequent work backlogs have necessitated overtime, contributing to increased labour costs within Waste Services.

- **Newmarket Income Challenges:** The Marlborough Square works have disrupted the market, resulting in a dip in interest from new traders for both market and casual stalls. Marketing efforts continue to encourage interest.

- **Procurement Consultancy:** A consultancy was engaged to ensure procurement compliance, with the contract ending in March 2024. A Procurement Officer has been hired on an interim basis, with a plan to review options of how the service can be delivered in the future.

2.5 The summary above provides an overview of the key financial and operational challenges faced, highlighting areas of concern such as vacancy rates, unexpected repair costs, and increased agency and labour expenses. Strategic planning and proactive management will be essential in addressing these issues moving forward.

2.6 As well as the detailed variances, Appendix A also provides details of the following:

- **Supplementary Estimates:** Approval was sought for supplementary estimates detailed in Appendix 2 of the original Cabinet Report, with a focus on those above £100k that are externally funded and those requiring Council funding.

- **Capital Programme:** Updates on the capital programme including a revised General Fund Capital Programme detailed in Appendix 5 of the original Cabinet Report, with significant expenditures on fleet replacement, accommodation projects, and Marlborough Square improvements.

- **Special Expenses:** The report forecasts the outturn figures for special expenses based on quarter 3 information, with variances in areas like Coalville and Whitwick, and a total net revenue forecast of £606k for 2023/24.

3.0 HOUSING REVENUE ACCOUNT (HRA)

3.1 The HRA is predicting an overspend of £94k for 2023/24 based on quarter 3 data. The key variances are:

- £552k forecast underspend on staff. This is due to a number of vacant posts across the organisation. Interim staff are used where recruitment is challenging. This underspend is offset by a shortfall in income recharges to capital schemes which are forecast to be £305k lower than budgeted.

- Improvement in expected investment income of £100k due to higher interest rates.
- £101k adverse variance for expenditure on procurement due to an improvement in the way procurement advice is provided and a significant volume of procurement work for the HRA as part of the improvement plans.
- £164k additional interest on debt as some loans split between the General Fund and HRA were not included in the budget.
- £110k forecast overspend on Finance recharges. This is due to use of interim staff to cover roles which have been difficult to recruit to.

3.2 The HRA has a reserve balance of £7.2m, with £6.2m earmarked for capital projects and debt repayment.

3.3 The capital programme broadly consists of the Improvements and Modernisation programme as well as the New Build Programme. Further details of the Modernisation Programme are detailed in section 2.3.3 of the HRA report shown in Appendix A.

3.4 The forecast outturn demonstrates expenditure on the Improvements and Modernisation programme of £7.7m, but a low level of expenditure on the New Build programme due to schemes being at the design stage and also delays in procuring contractors.

4.0 SUMMARY

4.1 The General Fund position is primarily due to one-off, non-recurring expenses. Where variances exist, the Council seeks to mitigate these ensuring financial stability.

4.2 The Council is actively enhancing the services provided by the HRA, focusing on the well-being of tenants. Efforts include an independent review of processes, employing contractors to address repair backlogs, IT system reconfiguration for better efficiency, filling essential positions, and developing a comprehensive action plan for service improvement. These steps are part of a broader strategy to ensure high-quality service delivery.

Policies and other considerations, as appropriate	
Council Priorities:	- A well-run council
Policy Considerations:	Capital Strategy 2023/24 Treasury Management 2023/24
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment, Climate Change and zero carbon:	None.

Consultation/Community Engagement:	None.
Risks:	Overspending can necessitate the use of reserves, which are set aside to cover unexpected expenses or revenue shortfalls.
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