

Title of Report	DRAFT 2023/24 QUARTER 1 GENERAL FUND AND HOUSING REVENUE ACCOUNT (HRA) FINANCE UPDATE	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder PH Briefed <input checked="" type="checkbox"/>	
Background Papers	Cabinet 31 January 2023: General Fund Budget & Council Tax 2023/24 HRA Budget & Rents 2023/24 Capital Strategy, Treasury Management Strategy & Prudential Indicators 2023/24 Corporate Scrutiny Committee Minutes – 31 August 2023	Public Report: Yes
		Key Decision: Yes
Financial Implications	Any financial implications of this report are detailed in the body of the report and the attached appendices.	
	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 Cabinet with an update on the financial position on the General Fund and Housing Revenue Account (HRA) as at Quarter 1 2023/24.	
Reason for Decision	To update Cabinet on Quarter 1 and request approval for supplementary estimates as detailed in the recommendations below.	
Recommendations	CABINET IS RECOMMENDED TO: 1. NOTE THE FORECAST OVERSPEND ON GENERAL FUND FOR 2023/24 OF £252K BASED ON QUARTER 1	

	<p>INFORMATION.</p> <ol style="list-style-type: none"> 2. NOTE THE SPECIAL EXPENSES FORECAST OUTTURN FIGURES FOR 2023/24 BASED ON QUARTER 1 INFORMATION. 3. NOTE THE FORECAST OVERSPEND ON THE HOUSING REVENUE ACCOUNT FOR 2023/24 OF £436K BASED ON QUARTER 1 INFORMATION. 4. NOTE THE SUPPLEMENTARY ESTIMATES DETAILED ON APPENDIX 2(c) WHICH ARE BELOW £100K AND ARE EXTERNALLY FUNDED. 5. APPROVE THE SUPPLEMENTARY ESTIMATES DETAILED ON APPENDIX 2(c) WHICH ARE ABOVE £100K AND ARE EXTERNALLY FUNDED. 6. APPROVE ALL SUPPLEMENTARY ESTIMATES DETAILED ON APPENDIX 2(c) WHICH REQUIRE COUNCIL FUNDING. 7. NOTE THAT THE SUPPLEMENTARY ESTIMATES DETAILED ON APPENDIX 2(c) WHICH ARE ABOVE £250K AND ARE EXTERNALLY FUNDED, WERE APPROVED BY FULL COUNCIL ON 5 SEPTEMBER 2023. 8. NOTE THE REVISED 2023/24 GENERAL FUND CAPITAL PROGRAMME BUDGET DETAILED IN APPENDIX 5 AS APPROVED BY FULL COUNCIL ON 5 SEPTEMBER 2023. 9. NOTE THE REVISED HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME DETAILED IN APPENDIX 9.
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1.0 PURPOSE OF THE REPORT

- 1.1 To inform Members of the spending position for the period 1 April 2023 to 30 June 2023 for the Council's General Fund, and Housing Revenue Account (HRA), and update them of any significant variances from the approved budgets.
- 1.2 To update Members on supplementary estimates requested and to request approval for those over £100k which are externally funded and for approval for any which are Council funded.
- 1.3 To update Members on the capital programme for the period 1 April 2023 to 30 June 2023 on the proposed resourcing of the capital programme and the level of Council capital resources available, including capital receipts.

1.4 To update Members on the changes to the capital programme and note the variations to scheme budgets and re-profiling of budgets to future years.

1.5 To provide Members with an update on the Council's Treasury Management activity during the period 1 April 2023 to 30 June 2023.

2.0 GENERAL FUND

2.1 General Fund Revenue

2.1.1 Table 1 below summarises the first quarter position summarised by Directorates. The current projections are that an overspend of £252k on the overall General Fund budget is expected to occur for 2023/24.

Table 1 – General Fund Revenue 2023/24 Quarter 1 Forecast Outturn Position

Directorate	Annual Budget	Forecast Outturn	Forecast Outturn Variance
	£'000	£'000	£'000
Chief Executive Directorate	2,797	2,797	0
Place Directorate	2,478	2,596	118
Communities Directorate	8,078	8,046	(32)
Resources Directorate	3,488	3,503	15
Corporate and Democratic Core and Other Budgets	896	1,344	448
NET COST OF SERVICES	17,737	18,286	549
Net Recharges from General Fund	(1,828)	(1,828)	0
NET COST OF SERVICES AFTER RECHARGES	15,909	16,458	549
Corporate Items and Financing	1,444	1,171	(273)
NET REVENUE EXPENDITURE	17,353	17,629	276
Contribution to/(from) Balances/Reserves	(266)	(290)	(24)
NET EXPENDITURE (AFTER RESERVE CONTRIBUTIONS)	17,087	17,339	252

2.1.2 Cabinet should note that the estimated overspend at quarter one is a forecast only and may reduce or increase. Close monitoring of performance against budget must be a top priority for managers to identify any areas that pose significant budget pressures.

2.1.3 There are a number of variances that make up the forecast outturn detailed above. Appendix 1 gives a more detailed analysis of the forecast outturn variances by service area. A summarised analysis of the major factors are detailed below along with mitigating factors which service areas have identified to offset some of these areas of overspending:-

Place Directorate £118k

- Property £33k – the forecast overspend is largely due to a significant leak in the roof at the Courtyard development which has required emergency works at a cost of circa £30k. Some of this should be claimed back from the insurers but the amount is unknown at the moment.
- Planning £85k – this is largely due to a forecast overspend of £75k on additional agency costs and £10k for other staffing costs. The Planning Service has been advised that two major and strategic applications for residential and employment development are expected to be submitted in Quarter 4 and if both applications are submitted the fee income received would likely be between £450-600k. There is a risk the fee income may not be received until the 2024/25 financial year.

Community Services Directorate

- New Market £30k – there is currently a forecast shortfall in income due to the loss of traders although other traders have been approached and are interested in growing their business.
- Leisure Services £63k – As part of the leisure contract the contractor can claim additional funding to cover significant increases in the price and cost of electricity and gas, subject to a utility benchmarking exercise being undertaken. Any amount claimed in 2023/24 will depend on utility prices and the profitability of the leisure centres during the year. The forecast is based on a provisional figure for 2022/23 which is still to be confirmed and is subject to negotiation.
- Waste Services – there is likely to be increased recycling income if prices and tonnages remain at current levels along with increased trade refuse income if the current number of customers are retained and green bin income is on budget. This additional income will be offset by increased vehicle hire costs due to delayed delivery of refuse vehicles due to worldwide market shortages and delays on parts and raw materials and increased agency staff to cover sickness and absence levels. As a result of the uncertainty around these figures the forecast on Waste Services remains on budget, however, further work is being undertaken ahead of the quarter two reporting.
- Strategic Housing (£125k) – Housing is utilising external grant income received for the Rough Sleeping Initiative and Ukraine specific Homelessness Prevention Grant to fund expenditure already included within the revenue budget leading to this saving.

Corporate, Financing and Other Budgets

- Pay award £448k – the Council has included 4% in the 2023/24 budget for the pay award, but the latest indications are that this could be as high as 6.75%. Final confirmation of the actual pay award is still to be received. Part of the pay award for Chief Officers has been agreed at 3.5% which is under forecast.
- Investment Income (£273k) – this increase is largely due to the further increases in interest rates by the Bank of England. Additionally, investment balances have been higher than expected due to a number of factors including delayed repayment of grants to central government, increased level of reserves,

slippage in capital programmes and extended periods between receipts and payments.

- 2.1.4 There continues to be pressures within the Finance Team budget due to the continued delays in the production and audit of the Council's 2021/22 and 2022/23 Statement of Accounts. The Team is also experiencing issues with the recruitment and retention of key positions. These are currently being filled using interim support and are essential as the process for setting the 2024/25 budget commences. All additional costs will be offset against the increase in income from treasury management activities.
- 2.1.5 Although the forecast outturn detailed above is showing a £252k overspend, services are working to mitigate these areas of overspending, as detailed in the bullet points in paragraph 2.1.3 above, along with the potential of increased Planning fee income which would mitigate against the current overspend position.
- 2.1.6 Managers are expected to bring their spending back within budget which the Council successfully achieved in the last financial year. The implications on the Medium Term Financial Plan (MTFP) also need to be considered as there is a substantial gap to be closed. There is a budget shortfall in 2024/25 of £1.6m which rises to an annual budget shortfall of £3.9m in 2027/28. This is a cumulative gap over the course of the five-year MTFP of £10.2m.
- 2.1.7 Officers are also exploring options for any potential funding opportunities available. An example of this is the Planning Skills Delivery Fund (PSDF) recently launched by the Department of Levelling Up, Housing and Communities (DLUHC). Local Planning Authorities can now apply for funding (up to £100k), which can be used to hire additional planning officers and invest in other resources to help clear planning backlogs. Officers are assessing whether the Council meets the bidding criteria and if the Council is eligible, a bid will be submitted. There are, however, no guarantees that the Council would be successful.

2.2 Virements

- 2.2.1 A virement is where one or more budget(s) are reduced to fund an increase in another budget(s). There is no net change in the total budget agreed by Council arising from a virement.
- 2.2.2 New virement approval levels were approved as part of the constitution by Council in February 2023. These approval levels are detailed in Appendix 2(a).
- 2.2.3 There are no virements within quarter one which require approval by either Cabinet or Council.

2.3 Supplementary Estimates

- 2.3.1 Supplementary estimates are a new process that was also approved as part of the constitution by Council in February 2023 as per paragraph 2.2.2 above. These approval levels are detailed in Appendix 2(b).
- 2.3.2 A supplementary estimate is an addition to the Council's agreed budget and should only be considered after all other options such as virements or savings have been considered.

- 2.3.3 Supplementary estimates include budgets fully funded by external grants or contributions.
- 2.3.4 All supplementary estimates which require Council funding require Cabinet approval whereas those fully externally funded are reported to Cabinet below £100k but require approval over £100k.
- 2.3.5 Appendix 2(c) details all supplementary estimates grouped by value and funding with details of the reasons for the requests. As can be seen from Appendix 2(c), the total external funding to be included in the 2023/24 budgets is £1.87m (of which £123k is capital) and the total to be transferred from reserves is £197k (of which £120k is HRA).

2.4 Section 106

- 2.4.1 Section 106 funds of £7.4m were held by the Council as at 31 March 2023. These funds will be spent by several organisations including the Council but also parish councils, health authorities etc. A breakdown of the £7.4m is provided at Appendix 3.
- 2.4.2 Future quarterly reports will be developed throughout the year to provide further detailed information to members on the status of monies spent or held through S106 agreements and their expiry date where relevant.
- 2.4.3 For information, the figure provided on the reserves balance for S106 in Table 2 will not reconcile to any figures in Appendix 3. This is because the S106 balances are made up of amounts which have already been spent against and are accounted for as a Council reserve, as well as amounts held with no expenditure against them which are accounted for as a liability as they could potentially be returned to the payer.

2.5 General Fund Reserves

- 2.5.1 The Council holds reserves that are earmarked for a particular purpose and are set aside to meet known or predicted future expenditure in relation to that purpose. The reserves are monitored alongside the budget as part of budget monitoring.
- 2.5.2 Assuming that reserves are utilised in line with the timescales agreed as part of their approval, reserves represent an effective means of utilising surpluses and underspends and ensuring delivery of projects.
- 2.5.3 Best practice indicates that reserves, if set aside for specific purposes should be spent in accordance with projections. Finance clinics (this is a dedicated meeting between finance officers and Heads of Service/Team Managers) focus on ensuring that earmarked reserves are expended in a timely manner in line with the purposes in which they have been set aside.
- 2.5.4 Table 2 below summarises the forecasted position in respect of earmarked reserves and other reserves held by the Council. Full details by service can be found in Appendix 4.

Table 2 – Usable Reserves forecast at 31 March 2024

Reserves	Balance at 01/04/2023 £m	Forecast Spend £m	No longer required £m	Forecast balance at 31/03/2024 £m
<u>General Fund</u>				
General Fund Earmarked Reserves	6.042	(1.867)	(0.122)	4.053
General Fund General Reserves (agreed minimum balance)	1.544			1.544
Medium Term Financial Plan (MTFP) Reserve	7.937	(0.383)	0.122	7.676
	15.523	(2.25)	0	13.273
<u>Other</u>				
S106 *	1.968			1.968
	17.491	(2.25)	0	15.241

* Balance at 01/04/22, please also see paragraph 2.4.3 above

2.5 General Fund Capital

2.5.1 Table 3 below details the quarter one position on the 2023/24 capital programme. Spend in the period was £0.48m and this was largely by the accommodation programme (work on the Council offices). Full scheme-by-scheme analysis can be found in Appendix 5.

Table 3 - Quarter 1 2023-24 Outturn on the General Fund Capital Programme

Department	Original Budget £'000	Prior Year C/fwd £'000	In-year Changes £'000	Revised Budget £'000	Spend @ P3 £'000	23/24 Forecast Outturn £'000	Variance (Rev Budget v Forecast Outturn) £'000	Carry-Forward to Future Years £'000
Place	2,868	8,076	(5,144)	5,800	427	5,159	641	5,080
Community Services	3,597	5,093	(6,510)	2,180	51	2,134	46	6,599
Resource	158	374		532	2	532	0	0
Total	6,623	13,543	(11,654)	8,512	480	7,825	687	11,679

2.5.2 Expenditure is expected to pick up during the year and the forecast outturn for 2023/24 is £7.8m. £11.6m of the budget is projected to be carried forward to future years. This is detailed in Table 4 below.

Table 4 - Reprofileing of budgets to future years

Department	Reprofiled to 24/25 £'000	Reprofiled to 25/26 £'000	Reprofiled to 25/26 £'000	Total £'000
Place	3,878	1,203	0	5,081
Community Services	6,548	0	0	6,598
Resource	0	0	0	0
Total	10,476	1,203	0	11,679

2.5.3 Community services has the largest budget allocation to future years and this is mostly due to long lead times in sourcing appropriate environmentally friendly vehicles for the Council's fleet replacement programme. It should be noted the table shows the re-profiling of expenditure from the Budget agreed in February 2023, the majority of the reprofiling was reported to Cabinet as part of the Outturn Report 2022/23. It is being reported again for completeness and transparency. This was also approved by Full Council on 5 September 2023.

2.6 Changes to the Capital Programme

2.6.1 Schemes in the capital programme are grouped under two categories and these are:

Development Pool: These are schemes not yet fully costed or funding sources identified. A full business case is required to be prepared and presented to the newly implemented Capital Strategy Group for consideration before the scheme can go ahead.

Active Programme: Schemes in this category have been approved (by either Capital Strategy Group, Cabinet or Council), fully funded and are being delivered.

2.6.2 Table 5 below details schemes which have moved from the development pool to the active pool during the year.

Table 5 – Scheme Movements in the Capital Programme

Capital Scheme	Revised Budget	Reason for Movement
	£'000	
Schemes Moved to Active Programme		
SharePoint Intranet Upgrade	10	Considered and transferred from development programme to active programme.
Cloud Back-Up Solution	44	Considered and transferred from development programme to active programme.
Laptop Replacement	68	Considered and transferred from development programme to active programme.
Server & Storage Additional Capacity	43	Considered and transferred from development programme to active programme.
CCTV Replacement Programme	95	Considered and transferred from development programme to active programme.
Total Transferred to Active Programme	260	
New Schemes Approved by Full Council		
Hermitage Access Road	25	New scheme – funded from existing scheme within the development pool
EcoPark	162	New scheme - externally funded via grant receipts.

Capital Scheme	Revised Budget	Reason for Movement
Public Conveniences	23	New scheme - Funded from underspends within the programme.
Total New Schemes Approved	210	

2.6.3 As detailed in Table 5, there are three new schemes added to the Capital Programme that were approved by Council on the 5 September:

Ecopark (Total cost £162k, funded £130k UKSPF grant monies and £32k external contribution from National Forest) At its meeting on 25 July 2023 Cabinet approved a report in relation to the Hermitage Recreation Ground EcoPark. This report included the creation of a new scheme for inclusion in the Council's Capital Programme. The total cost of this scheme is £162k. The scheme is to be funded by a £130k virement from grant monies received from the UK Shared Prosperity Fund (UKSPF) and an external contribution of £32.26k from the National Forest.

Hermitage Access Road Enabling Works (Total cost £25k, funded by virement from underspend on Hermitage Leisure Centre Demolition) The redevelopment of the former Hermitage Leisure Centre site for new uses will require the provision of a new access road designed and constructed to adoptable standard. This scheme proposes the cost of preparing designs and cost estimates for the road and generally progressing preparatory works to the point at which a planning application (for the road) can be submitted. It should be noted if for any reason the scheme did not progress these costs would need to be funded from revenue.

Public Conveniences (Total cost £23k, funded by virement from underspend on IT Programme) Installation of cashless electronic payment facilities at the Council's public toilet facilities as part of the implementation of an invest to save proposal agreed as part of the Budget approved by Council in February 2023. This will enable the Council to achieve the income budget of £16,000. It will also have the potential to lead to further revenue savings in relation to cleaning costs in future years.

2.6.4 One of the major schemes in the capital programme is the Accommodation Project. This scheme is the major refurbishment of the Council offices which includes works to the new customer service centre, Whitwick Business Centre and Stenson House. The total scheme budget is £5.01m and the current forecast spend is £5.43m. This means the scheme is anticipated to overspend by £0.42m. The overspend is due to inflation and the need to undertake backlog strategic maintenance works especially to Stenson House. Undertaking the backlog maintenance works now has prevented additional expenditure in the future. The overspend will be financed from the capital programme contingency fund and re-purposing from existing property strategic maintenance budgets.

3.0 SPECIAL EXPENSES

3.1 Table 6 below summarises the forecast outturn position for Coalville Special Expenses and Other Special Expense areas. Further information is contained within Appendix 6 which provides a more detailed analysis.

3.2 At the end of the first quarter, actual expenditure, including grounds maintenance, events and burial income are all forecast to be on budget.

- 3.3 The total Special Expenses net revenue budget for 2023/24 is £591k which is funded through Council Tax and Grants of £602k which provides a budgeted surplus of £11k to be transferred to reserves.

Table 6 - Special Expenses 2023/24 Q1 Monitoring & Forecast Outturn Position

SPECIAL EXPENSES	Approved Budget	Forecast Outturn	Variance
	£'000	£'000	£'000
Annual Recurring Expenditure	591	591	0
Expenditure Requirement	591	591	0
Precept	586	586	0
Localisation of Council Tax Support Grant	16	16	0
Transfer from/(to) reserves	(11)	(11)	0

- 3.4 The provisional balances as at 1 April 2023 and the forecast outturn as at 31 March 2024 are shown in table 7 below. As can be seen from the table, two of the Special Expense areas are forecast to be in a deficit position. This is not a sustainable position and further work is planned for 2023/24, including a review of the Special Expenses Policy, to ensure that a minimum of 10% balances are retained.

Table 7 - Forecasted Special Expense Balances 2023/24

Special Expense Balances	Provisional Balances 01.04.23	Forecasted Contribution to/(from) Balances	Forecasted Balances 31.03.24 Surplus/ (Deficit)
	£	£	£
Coalville	19,150	(2,402)	16,748
Whitwick	7,664	6	7,670
Hugglescote/Donington Le Heath	17,851	5,717	23,568
Coleorton	1,274	1,650	2,924
Lockington/Hemington	1,272	886	2,158
Measham	1,107	695	1,802
Oakthorpe & Donisthorpe	(17,250)	1,373	(15,877)
Ravenstone	492	887	1,379
Stretton	(1,501)	1	(1,500)
Appleby Magna	844	1,650	2,494

SPECIAL EXPENSE BALANCES	Provisional Balances 01.04.23	Forecast Contribution to/(from) Balances	Forecast Balances 31.03.24 Surplus/ (Deficit)
	£	£	£
Coalville	19,150	(2,402)	16,748
Whitwick	7,664	6	7,670
Hugglescote/Donington Le Heath	17,851	5,717	23,568
Coleorton	1,274	1,650	2,924
Lockington/Hemington	1,272	886	2,158
Measham	1,107	695	1,802
Ravenstone	492	887	1,379
Appleby Magna	844	1,650	2,494

3.5 A list of the Special expense earmarked reserves as at the end of June 2023 are shown in table 8 below. Appendix 7 gives a more detailed analysis.

Table 8 - 2023/24 Special Expenses Earmarked Reserves

EARMARKED RESERVES	Balances 01.04.23	Spend to date	Forecast Spend	Forecast Balance as at 31.03.24
	£	£	£	£
Coalville	92,998	3,974	92,998	0
Hugglescote	28,720	0	28,720	0
Whitwick	9,088	0	9,088	0
	130,806	3,974	130,806	0

4.0 HOUSING REVENUE ACCOUNT (HRA)

4.1 HRA Income and Expenditure

4.1.1 Table 9 below shows the summary income and expenditure forecast outturn and variance for the HRA which is currently forecasting an overspend position at the end of quarter one of £436k.

Table 9 – HRA 2023/24 Quarter 1 Forecast Outturn Position

	Budget £'000	Forecast £'000	Variance £'000
Income	(20,139)	(20,183)	(44)
Operating Expenditure	17,077	17,556	480
Operating (surplus)/deficit	(3,062)	(2,627)	436
Appropriations	7,541	7,541	0
Net (surplus)/deficit	4,479	4,914	436

4.1.2 The service will seek to recover the budget position through vacancy management and use of reserves. A more detailed table can be found at Appendix 8.

4.1.3 The Council is actively working to improve services delivered by the HRA and ensure the impact on tenants is considered in all service delivery. Work on this so far has included:

- Commissioning an independent review of processes.
- Use of contractors to assist in delivering against repairs backlogs.
- Working on reconfiguration of IT systems to improve efficiency and facilitate improved processes.
- Recruiting staff to key vacant roles.
- A plan for further actions within the service is also under preparation.

4.1.4 To address these improvements, it is proposed to utilise £121k of HRA reserves. The approvals for these are being sought as part of the Supplementary Estimates set out in Appendix 2.

4.1.5 Other variances include:

- £180k anticipated shortfall for 2023/24 pay award. The Council has included 4% in the 2023/24 budget for the pay award, but latest indications are that this could be as high as 6.75%. Final confirmation of the actual pay award is still to be received.
- Improvement in expected investment income of £119k due to higher interest rates.
- £75k adverse variance for rent income based on first quarter rents received.

4.1.6 The overspend of £436k will reduce by £121k if the reserve drawn downs detailed in Appendix 2 are approved.

4.2 HRA Reserves

4.2.1 The HRA currently has a balance of £7.2m. A minimum balance of £1.0m is maintained to ensure the HRA has sufficient funding to cover unforeseen revenue expenditure and the remaining £6.2m to be used for capital projects and for the repayment of debt.

4.2.2 Earmarked reserves were reviewed in 2022-23 and as a result, all earmarked reserves were transferred to a Medium Term Financial Planning reserve for the HRA. This will enable reserves to be allocated corporately to achieve strategic aims.

4.2.3 Table 10 below shows a summary of usable HRA reserves:

Table 10 – HRA Usable Reserves forecast 2023/24

Reserves	Balance at 31/03/23 £m	Forecast Contributions Received £m	Forecast Spend Required £m	Balance at 31/03/24 £m
<u>Housing Revenue Account</u>				
HRA Medium Term Financial Plan Reserve	0.53			0.53
HRA Balance	7.20		(4.92)	2.28
	7.73	0.00	(4.92)	2.81
HRA Capital Receipts	11.34	2.76	(6.51)	7.59
Major Repairs Reserve	2.73	3.40	(3.47)	2.66
Debt Repayment Reserve	0.00	3.73	0.00	3.73
	21.80	9.89	(14.90)	16.79

4.3 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

4.3.1 The Housing capital programme broadly consists of the Improvements and Modernisation programme as well as the New Build programme.

4.3.2 The Improvements and Modernisation Programme includes:

- Vital fire safety works.
- Major aids and adaptation works around safety, accessibility and increasing independent living for residents.
- Transforming older persons schemes to an integrated digital service, giving full and timely works and events and visits information to residents. This also allows the Council to share a digital layout with the Fire Service so in the event of an incident they can guide crews through the building.
- Replacement heating scheme, installing new Ideal Logic (hydrogen ready) efficient boilers or air source heat pumps (if replacing solid fuel systems) and correct insulation to improve thermal efficiency of Council homes. This will improve affordability of heating for tenants this winter as well as assisting the Council in achieving progress towards every property meeting Energy Performance Certificate Level C by 2028.

4.3.3 Most of the projects in the new build scheme are still at the design stage. The Council is exploring a number of delivery models to increase the number of affordable and social housing units across the District.

4.3.4 Table 11 shows the expenditure and forecast against budget as at quarter one.

Table 11 - Quarter 1 2023/2024 Outturn on the HRA Capital Programme

Scheme	Original Budget £'000	Prior Year C/fwd £'000	In-year Changes £'000	Revised Budget £'000	Spend @ P3 £'000	23/24 Forecast Outturn	Variance (Rev Budget v Forecast Outturn) £'000	Carry-Forward to Future Years £'000
Improvements & Modernisation	12,226	8,555	(8,486)	12,295	1,286	12,045	250	7,612
New Build	2,948	6,148	(7,078)	2,018	5	2,018	0	7,857
Total	15,174	14,703	(15,564)	14,313	1,291	14,063	250	15,469

4.3.5 Expenditure for quarter one was £1.29m and this was largely from the improvements and modernisation programme. This low level of expenditure for quarter one is the result of taking an early review of the programme in the context of sector wide issues as well as the time take to procure contractors.

4.3.6 The forecast is £0.25m below budget. This is mainly on the Homes Improvement Programme where the expenditure of £4.3m is forecast against a budget of £4.5m. This is the result of the programme of expenditure being allocated against workstreams with realistic timings. The programme will be continued to be monitored against these timings.

Table 12 - Reprofile of Future Years Budgets

Scheme	Reprofiled to 24/25 £'000	Reprofiled to 25/26 £'000	Reprofiled to 25/26 £'000	Total £'000
Improvements and Modernisation	2,793	5	5,738	8,536
New Build	1,139	0	5,794	6,933
Total	3,932	5	11,532	15,469

4.3.3 The improvements and modernisation programme has the largest budget allocation to future years and this is to undertake projects such as fire safety works, roof replacement and zero-carbon schemes.

4.3.4 It should be noted the table shows the re-profiling of expenditure from the Budget agreed in February 2023, the majority of the re-profiling was reported to Cabinet as part of the Outturn Report 2022/23. It is being reported again for completeness and transparency but is expected to be refined again at the end of Quarter 2.

4.3.5 Changes to the QL Housing and Repairs data system mean the Council will be recording in more detail and in real-time what budgets are being spent, when, and where. This system is in the process of being integrated with the Unit4 Finance system so that weekly reconciliation of forecast and actual budgets can be undertaken. Where programmes fall behind in delivery, adjustments can be made to ensure the Council delivers what it promise or communicates and takes action to intervene.

5.0 TREASURY MANAGEMENT

5.0.1 The following outlines the Treasury position and variance to budget of the Council's Treasury management function. The Council's treasury management strategy for 2023/24 was approved at a Council meeting on 23 February 2023. The Council has invested substantial sums of money and is, therefore, exposed to financial risks

including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

5.0.2 Table 13 shows the progression of budgets as at 30 June 2023 for Treasury Management elements.

Table 13 – Treasury Management Forecast Outturn 2023/24

Element	Original Budget	Variance	Revised Forecast
	£'000	£'000	£'000
Investment Interest Income:			
<i>Deductions</i>	(189)	(104)	(293)
<i>GF</i>	(336)	(273)	(609)
<i>HRA</i>	(457)	(119)	(576)
Total	(982)	(496)	(1,478)
Borrowing Interest Expenditure	2,228	0	2,228
Borrowing Principle Repaid	2,734	0	2,734
Total	3,980	(496)	3,484

5.0.3 Table 14 shows a summary of the Council's external investments and borrowing along with the rate of return/borrowing of both. The movements from 31 March 2023 are shown in Table 15 below:

Table 14 – Treasury Summary

	31.3.23 Balance £m	Movement £m	30.06.23 Balance £m	30.06.23 Rate %
Long-term borrowing	59.8	0.0	59.8	3.6%
Short-term borrowing	2.7	0.0	2.7	4.2%
Total borrowing	62.5	0.0	62.5	3.6%
Long-term investments	0.0	0.0	0.0	0.0%
Short-term investments	39.0	(4.0)	35.0	4.6%
Cash and cash equivalents	4.1	13.9	18.0	4.7%
Total investments	43.1	9.9	53.0	4.7%
Net borrowing	19.5	(9.9)	9.6	

5.0.4 Further information on the Council's borrowing and investments can be found on Appendix 10.

5.0.5 One of the investments held by the Council is a loan of £5m to Birmingham City Council. On 5 September 2023, Birmingham issued a Section 114 notice, stating that they lack the necessary resources to balance their budget. This shortfall primarily arises from their inability to meet sustainable liabilities linked to increasing equal pay claims. It's important to emphasise that the Council's funds are secure, as they are backed by central government support. The Council's treasury advisors at Arlingclose have confirmed this, expressing full confidence that the investments will be repaid in

full at maturity. Previous instances of Section 114 notices at other local authorities have not led to investments going unpaid. The investment itself was £5m, at a 4% interest rate, with a one- year duration. The investment is set to mature on 25 January 2024, having commenced on the 26 January 2023.

Policies and other considerations, as appropriate	
Council Priorities:	The spending from the budget provides funding for the Council to deliver against all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	The Council plans to invest up to £3.5m in town centre regeneration and public realm works in the current financial year.
Environment and Climate Change:	The Council plans to invest up to £3.1m retrofitting Council homes to make them carbon neutral. Up to £0.5m is forecast to be spent on purchasing environmentally friendly vehicles and installing electric vehicle charging points throughout the district in the current financial year.
Consultation/Community/Tenant Engagement:	Corporate Scrutiny Committee 31 August 2023
Risks:	<p>High levels of inflation can undermine the Council's financial reserves. As inflation rises, the real purchasing power of the Council's reserves steadily erodes, meaning the same amount of money can purchase progressively fewer goods and services. This erosion of value poses a challenge to the organisation's ability to maintain financial stability and achieve its long-term financial objectives.</p> <p>Furthermore, the Council has opted to allocate its increased interest earnings (resulting from increased base rate) towards funding its base revenue budget rather than reinvesting them into reserves. This strategic choice, combined with the inflationary pressure, leads to an overall devaluation of reserves. Essentially, this practice leaves the organisation with reduced financial resilience, as it does not adequately account for the eroding effect of inflation on its reserves.</p> <p>Although the current high levels of inflation are causing problems, reserves might be expected to</p>

	<p>grow with more moderate levels of inflation over the long term. Real returns (i.e. after inflation) are and have been negative despite investment returns rising. So even if the Council changed its policy to add interest earnings to reserves it still would not solve the whole problem. Indeed, very few investment returns are beating inflation and in general if you wanted higher returns you'd need to invest for a longer period and/or with riskier assets, which the council has decided not to do.</p> <p>The budgets will continue to be monitored throughout the year to ensure the Council remains within its funding envelope.</p>
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