



REPORT TO THE MEETING OF CABINET – 18 SEPTEMBER 2024

PORTFOLIO: RESOURCES – CLLR STEVE MOUNTFORD

REPORT FROM ASSISTANT DIRECTOR, FINANCE & PROCUREMENT (S151 OFFICER)

SUBJECT: FINANCIAL UPDATE – FIRST QUARTER STAGE

1 PURPOSE OF REPORT

- 1.1 This report is intended to provide Cabinet with the 2024/25 forecast outturn position in respect of the General Fund (GF) and Housing Revenue Account (HRA) as at the first quarter stage.

2 LINKS TO COUNCIL'S PRIORITIES AND OBJECTIVES

- 2.1 Finance and resources are considered an 'Enabler' within the Corporate Plan. Sound and strategic financial management is essential in order to ensure that resources are available to support the Council's priorities and maintain or improve services.

3 RECOMMENDATION

- 3.1 It is proposed that Cabinet **RESOLVES**

- (1) To note the GF Revenue 2024/25 forecast outturn position as at the first quarter stage, an underspend of £21,000, as detailed in paragraph 5.
- (2) To note the GF Capital 2024/25 forecast outturn position as at the first quarter stage, an overspend of £785,000, as detailed in paragraph 6.
- (3) To note the HRA Revenue 2024/25 forecast outturn position as at the first quarter stage, a nil variance position, as detailed in paragraph 7.

- (4) To note the HRA Capital 2024/25 forecast outturn position as at the first quarter stage, a nil variance position, as detailed in paragraph 8.
- (5) To approve increases in the HRA Capital scheme and payments approval for three affordable housing schemes as detailed in paragraphs 8.2 to 8.5, a total increase in scheme approval of £2.034m, 2024/25 payments approval of £20,000 and 2025/26 payments approval of £2.014m.

4 INTRODUCTION

- 4.1 The forecast for 2024/25 as at the first quarter stage is a best estimate at a moment in time. It will be the case that figures will change as the year goes on and clarity is obtained on favourable and unfavourable items which can impact the position shown.
- 4.2 Whilst this report sets out the forecasts for each area and the material causes of any variance, it does not itemise every single variance from budget. The forecasts are projected based on various assumptions.
- 4.3 The detailed and complex work on the 2023/24 Statement of Accounts and associated outturn is ongoing. It is possible that in bringing that work to its conclusion there is a consequential impact in forecasts for the current year. Any such impacts will be reported at the second quarter stage.

5 GENERAL FUND REVENUE 2024/25 FORECAST OUTTURN

- 5.1 As at the first quarter stage, the GF Revenue 2024/25 forecast outturn is an underspend of £21,000. The forecast variances by directorate are as follows:

Table 1 - Forecast Outturn	Budget	Forecast	Variance
	£000	£000	£000
Commercial & Assets	4,880	4,617	(263)
Corporate & Customer	4,382	4,380	(2)
Place & Communities	4,617	4,497	(119)
Net Cost of Services	13,879	13,495	(384)
Non-Service & Financing Total	(13,083)	(12,719)	322
Income & Expenditure Total	796	734	(62)
Transfer to/(from) Earmarked Reserves	(1,221)	(1,180)	41
Adjusted (Surplus)/Deficit	(425)	(446)	(21)

- 5.2 All three directorates are currently forecasting underspends which have been caused by vacancies within the services and/or the pay award being offered by the NJC to the Trade Unions being lower than the Council budgeted for a pay award. There are no other material variances being forecast at this stage.

- 5.3 Within Non-Service & Financing, which is forecasting a £322,000 overspend, there are three factors at play. The first is the Council's vacancy factor, a total of £163,000. Knowing it is likely that the Council will have vacancies during the year, a saving is built into this budget to take this into account. This overspend is therefore covered from the underspend created by vacancies within the directorates.
- 5.4 The second factor is a forecast overspend on interest receivable of £200,000. This is being projected based on the average balance available for investment being lower than assumed at budget setting. As the year goes on, this will be closely monitored and may be partially offset by better returns on investment than budgeted.
- 5.5 The third and final factor relates to accounting adjustments required for the IT Hardware capital scheme (underspend as detailed in paragraph 6 below). The forecast revenue contribution to capital is now lower by £41,000, but as this was to be funded from the IT earmarked reserve the withdrawal from the reserve will now also be lower and therefore there is no net impact on the GF Revenue position.

6 GENERAL FUND CAPITAL 2024/25 FORECAST OUTTURN

- 6.1 As at the first quarter stage, the GF Capital 2024/25 forecast outturn is an overspend of £785,000. It should be noted however that since the forecast was made, Cabinet at their August meeting agreed additional scheme and payments approval which have subsequently changed this position to an underspend of £41,000. The forecast variances by scheme at the first quarter stage were as follows:

- (1) Paddocks Refurbishment: The Paddocks refurbishment scheme was forecasting an overspend of £826,000 as at the first quarter stage due to additional works being required. At Cabinet's August meeting, it was agreed to increase the scheme and 2024/25 payments approval by £826,000 which brings this scheme back to a nil variance position.
- (2) IT Hardware: The Council has undertaken a tender exercise for the laptop refresh programme. Following assessment, the winning bid was £41,000 lower than budgeted.

7 HRA REVENUE 2024/25 FORECAST OUTTURN

- 7.1 At the first quarter stage, the HRA Revenue 2024/25 forecast outturn is for nil variance, with savings arising from vacancies and the lower than budgeted forecast pay award being utilised to fund agency staff within the service.

8 HRA CAPITAL 2024/25 FORECAST OUTTURN

- 8.1 At the first quarter stage, the HRA Capital 2024/25 forecast outturn is for nil variance. However, Cabinet is asked to allocate funding to three affordable housing schemes presented previously to and approved by Cabinet in

October 2023 now that the initial feasibility and investigation works have demonstrated these are viable schemes.

- 8.2 To proceed with the three schemes, capital scheme approval will need to increase by £2.034m, with £20,000 of payments approval in 2024/25 and £2.014m of payments approval in 2025/26.
- 8.3 The schemes are funded by £1.2m of right to buy capital receipts, with the remainder to be funded from other sources, including any available s106 funding, future but as yet unknown right to buy receipts or borrowing. Should the remainder all be funded from borrowing, the impact on the HRA has been assessed and is considered affordable within the long-term HRA business plan.
- 8.4 The schemes and the specific financing requirements for each are as follows:
- (1) Linden Way, Canvey Island: Three 1-bedroomed homes at a former garage site. For this scheme, scheme approval of £682,000 is requested for approval, with payments approval for the same value in 2025/26.
- (2) Benderloch, Canvey Island: Two 3- bedroomed homes at a former garage site. For this scheme, scheme approval of £724,000 is requested, with £20,000 of payments approval in 2024/25 to allow for some enabling works to be completed, and the remaining £704,000 of payments approval being in 2025/26.
- (3) Carlton Drive, Benfleet: Two 2-bedroomed homes on a former garage site. For this scheme, scheme approval of £629,000 is requested, with payments approval for the same value all being in 2025/26.
- 8.5 These scheme values remain consistent with the values reported within the October 2023 Cabinet report. The following table summarises the expected costs for the three schemes, inclusive of the £50,000 per scheme previously agreed:

Cost element	Benderloch £	Linden Way £	Carlton Drive £	Total £
Development costs	617,500	565,500	533,000	1,716,000
Resurfacing & Parking	41,700	32,600	37,700	112,000
Utilities	25,000	25,000	25,000	75,000
Drainage	-	22,000	-	22,000
Professional fees	40,000	40,000	40,000	120,000
Sub-total	724,200	685,100	635,700	2,045,000
Contingency (at 7.5%) excl Utilities, Demolition and Prof. fees	49,400	46,500	42,800	138,700
Total estimated cost	773,600	731,600	678,500	2,183,700

9 OPTIONS

- 9.1 In respect of the HRA Capital schemes, the following options should be considered.
- 9.2 Option 1: Do nothing. It is possible for Cabinet to decide to not progress with these schemes. This would result in spend to date of £56,500 being recorded as abortive costs and subsequently transferred into the HRA Revenue budget. Additionally, this would result in seven much need properties not being constructed and therefore do nothing to reduce the demand for ongoing affordable housing.
- 9.3 Option 2: Proceed with the three schemes as per the October 2023 Cabinet report. This option delivers the greatest benefit and would help meet some of the demand for ongoing affordable housing. This also makes the greatest use of available right to buy capital receipts.
- 9.4 Option 3: Proceed with only one or two of the schemes. This option would obviously reduce the potential benefits.
- 9.5 Preferred Option: Option 2 is the preferred option as this has the greatest benefit and makes best use of the Council's resources.

10 RISK IMPLICATIONS

- 10.1 In respect of the forecast outturn positions, as would be expected in the early part of the financial year, a number of risks exist. As the year goes on, these will either crystallise or be mitigated, with any impact on the forecasts being reported in subsequent financial update reports.
- 10.2 One currently known risk item relates to the Council's job evaluation process. Financial modelling on the draft employee outcomes has shown this will be an additional cost to the Council of £244,000 in the current financial year, of which £100,000 can be mitigated by way of a provision made in budget setting for this purpose. Once agreement with the unions has been reached, the detailed financial implications will be reflected in the forecast outturn.
- 10.3 In respect of the HRA affordable housing capital schemes, the usual risks apply as they would for any new build scheme, including but not limited to the tender process resulting in higher costs than budgeted. Contingency has been built into the schemes to try and mitigate the risks.

11 FINANCIAL IMPLICATIONS

- 11.1 This is a report from the Council's section 151 officer and the financial implications are throughout the report.

12 LEGAL IMPLICATIONS

- 12.1 This report is presented on behalf of the section 151 officer – the officer appointed to have responsibility for the Council's financial administration. It is

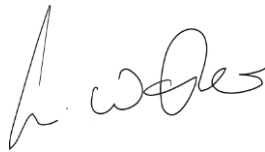
their duty to ensure that Cabinet and Council are regularly updated on these matters.

13 HUMAN RESOURCES IMPLICATIONS

13.1 There are no implications arising from this report.

14 EQUALITY AND DIVERSITY IMPLICATIONS

14.1 An Equality Impact Assessment has been completed and found there to be no impacts (either positive or negative) on protected groups as defined under the Equality Act 2010.



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Background Papers:

- 1) Policy Framework and Budget Setting for 2024/25, Special Council February 2024
- 2) Construction of new Local Authority Housing Developments, Cabinet October 2023

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