

To: Finance, Resources and Customer Services Policy Board

On: 14 September 2023

Report by: Director of Finance and Resources

Heading: Revenue and Capital Budget Monitoring – Council Overview as at 23 June 2023

1. Summary of Financial Position

1.1. The projected Revenue outturn at 31 March 2024 for all services is an overspend of £5.679m.

1.2. The projected Capital outturn at 31 March 2024 for all services is an underspend of £0.143m.

This is split between General Fund Services and the Housing Revenue Account (HRA) in the table below, with further analysis is provided in the Appendices.

Table 1: Revenue

Division	Revised Annual Budget £000	Projected Outturn £000	Budget Variance (Adv)/Fav £000	Budget Variance %
General Fund Services	509,587	515,266	(5,679)	(1.1%)
Housing Revenue Account (HRA)	0	0	0	0.0%
Total	509,587	515,266	(5,679)	(1.1%)

Table 2: Capital

Division	Revised Annual Budget £000	Projected Outturn £000	Budget Variance (Adv)/Fav £000	Budget Variance %
General Fund Services	145,890	145,747	143	0.0%
Housing Revenue Account	29,678	29,678	0	0.0%
Total	173,899	173,756	143	0.0%

2. Recommendations

Members are requested to:

- 2.1. Note the projected Revenue outturn position detailed in Table 1 above, considering that the forecast position is based on best estimates at this point in time; and also note the substantial risks to this position as outlined in section 3 of the report;
- 2.2. Note the projected Capital outturn position detailed in Table 2 above;
- 2.3. Note the prudential indicators detailed in section 6 of the report.

3. Revenue Monitoring

- 3.1. The Revenue Budget Monitoring report at Appendix 1 identifies a projected annual overspend of £5.679m (1.1% of total budget) for all Services. Details for all services can also be found here, along with an explanation of significant projected variances.
- 3.2. The projected outturn is based on information currently available, and assumptions made by service budget holders. Any changes to these projections will be detailed in future reports to this board.
- 3.3. The main reasons for the projected outturn position are indicated in the appendix showing both the subjective analysis (what the budget is spent on) and the objective analysis (what division is spending the budget).
- 3.4. In line with last year, there are ongoing cost pressures within Children's Services, Soft Facilities Management, Waste Services, Parking and Streetscene. Reasons for significant variances are included within Appendix 1.
- 3.5. Members should also note that the forecast outturn position does not include any impact of non-teaching pay settlements for 2023/24, which are not yet agreed.
- 3.6. Directors and management teams are closely monitoring their costs and are aiming to mitigate increases where possible; however, as noted in the Revenue Estimates 2023/24 report, the Council is expected to use up to £4m from ring-fenced reserve balances in order to break even at year end, particularly in relation to children's residential care, energy costs, and parking income shortfalls.

- 3.7. Section 6 includes additional information about capital and treasury performance indicators, which will now be regularly reported to this board. Further context is provided at 6.1 and 6.2.

4. Capital Monitoring: Housing Services Programme

- 4.1. The HRA Capital Investment Programme 2023/24 to 2027/28 was approved by the Council on 2 March 2023. For 2023/24, the approved capital spend totalled £29.678m. There have been no changes to date.
- 4.2. Capital expenditure to 23 June 2023 amounted to £2.583m, representing 9% of available resources, compared to 6% for the same period in 2022/23.
- 4.3. 36% of expected capital income has been received to date, compared to 0% for the equivalent period in 2022/23. This difference relates to the timing of receipt of grant for external improvements and council house new build.
- 4.4. The projected outturn position, after budget changes, is for the Housing Services Programme to break even (see Appendix 2). However, inflationary impacts of delays to work and related cost estimates are still ongoing and may result in this forecast being revised at a future date.

5. Capital Monitoring: Non-Housing Services Programme

- 5.1. The General Services Capital Investment Programme 2023/24 to 2027/28 was approved by Council on 2 March 2023. For 2023/24, the approved capital spend totalled £145.327m. The current revised programme totals £145.890m (an increase of £0.560m) resulting from the net effect of:
- net budget increases of £1.452m, mainly as result of new grant awards from Strathclyde Passenger Transport and Cycle Walking & Safer Routes;
 - budget carried forward from 2022/23 to 2023/24 of £3.425m; and
 - projects re-profiled from 2023/24 into 2024/25 of (£4.317m).
- 5.2. Capital expenditure to 23 June 2023 totals £10.717m, representing 7% of the available resources, compared to 5% for the equivalent period in 2022/23.
- 5.3. Capital income totalling £6.405m has been received to 23 June 2023. This represents 13% of the total anticipated income, compared to 9% for the equivalent period in 2022/23.

- 5.4. The projected outturn position after these budget changes is an underspend of £0.143m (see Appendix 2). However, the full impact of inflation on capital costs on each project is not yet determined, with increased costs through inflation and compliance expected to increase the risk of overspends across the capital programme. It is anticipated that the current forecast underspend will be reallocated within the Education Capital Investment Programme.

6. Capital Overview: Prudential Indicators

- 6.1. The Council is required to set prudential indicators to ensure that its capital investment plans are affordable, proportionate, prudent and sustainable. The current prudential indicators were approved, alongside the housing and non-housing capital investment programmes, by Council on 2 March 2023.
- 6.2. The CIPFA Prudential Code 2021 recommends that from 2023/24 a regular update is provided to members noting the current forecasts for prudential indicators compared to those approved at the start of the financial year. These are outlined in 6.4 to 6.8 below.
- 6.3. The Council will be asked to approve revised Prudential Indicators in December 2023 as part of the mid-year progress report.
- 6.4. **Capital Expenditure:** The limit on capital expenditure that the Council has set for 2023/24 is shown in the table below. The limit is based on the resources available to fund the capital programmes, split between Housing and Non-Housing Services, but excludes the Public Sector Housing Grant, as this is not considered to be capital spend for the Council.

	Approved Plan £m	Forecast Expenditure £m
Non-Housing	145	145
Housing	30	30
Total	175	175

- 6.5. **Capital Finance Requirement (CFR):** The CFR originally planned by the Council for 2023/24 is shown in the table below and is split between Housing and Non-Housing Services. The approved Non-Housing figure in the Treasury Strategy was £94m lower than the Planned figure shown here, and the following two tables, owing to a formula error that omitted other long-term liabilities. The projected outturn at 31 March 2024 is also shown. Any significant increase in the capital expenditure without planned funding at the point of spend will result in an increase to the CFR.

	Planned CFR to 31 March 2024 £m	Projected CFR to 31 March 2024 £m
Non-Housing	431	424
Housing	121	124
Total	552	547

- 6.6. **Operational Boundary:** This is the focus of day-to-day treasury management activity within the Council and is an estimate of the most likely, but not worst case, scenario in terms of cashflow. Risk analysis and risk management strategies are taken into account, as are plans for capital expenditure, estimates of the CFR and estimates of cashflow requirements for all purposes. It is possible that this boundary could be breached occasionally and this should not be regarded as significant. However, a sustained or regular trend of such would be significant and require investigation and action.

	Planned Operational Boundary to 31 March 2024 £m	Projected Operational Boundary to 31 March 2024 £m
Borrowing	459	453
Other Long-Term Liabilities	94	94
Total	553	547

- 6.7. **Authorised Limit:** This is based on the same assumptions as the Operational Boundary, with additional headroom to ensure sufficient capacity to allow for both planned and exceptional cashflow requirements, without breaching the limit.

	Planned Authorised Limit to 31 March 2024 £m	Projected Authorised Limit to 31 March 2024 £m
Borrowing	477	476
Other Long-Term Liabilities	94	94
Total	571	570

- 6.8. **Ratio of Financing Costs to Net Revenue:** A key measure of affordability is the incremental impact of investment decisions on Council Tax or housing rents. Estimates of the ratio of financing costs to net revenue stream provide an indication of how much of the Council's revenue budget is committed to the repayment of debt.

	Approved Ratio of Financing Costs to Net Revenue 2023/24 %	Projected Ratio of Financing Costs to Net Revenue 2023/24 %
Non-Housing	3.64	3.85
Housing	28.97	29.03

Financing costs include the interest payable with respect to forecast borrowing levels, interest payable on finance leases, interest and investment income, loans fund and finance lease principal repayments and gains/losses on the repurchase or early settlement of borrowing. Because interest rates have remained higher for longer than anticipated in the approved ratio, the forecast cost of interest on potential borrowing levels results in higher projected ratios.

Revenue streams relate either to the amounts received in terms of government grant and local taxpayers for Non-housing, or to the amounts received from tenants in respect of housing rents for Housing.

7. Private Sector Housing Grant Programme

- 7.1. The overall budget provision for this programme is included within the revenue budget. However, in order to monitor the performance of the individual programmes, it is included within capital budget monitoring procedures.
- 7.2. The Council approved expenditure up to £0.600m for 2023/24. The programme currently stands at £1.117m, an increase in budget of £0.517m to reflect Contribution From Current Revenue (CFCR) in 2023/24 after the approval of the Private Sector Housing Investment Programme 2023/24 by the Communities and Housing Policy Board on 16 May 2023.
- 7.3. The programme is expected to fully spend by 31 March 2024 and will be contained within the overall resources.

Implications of this report

1. **Financial** – The projected budget outturn position for General Fund Services Revenue budget is an overspend of £5.679m (1.1%) and break-even for the HRA Revenue budget. Income and expenditure will continue to be monitored closely for the rest of the financial year and, where necessary, steps will be taken to mitigate overspends.

The projected outturn position for General Fund Services Capital budget is an underspend of £0.143m and break-even for the HRA Capital budget.

The Capital programme will continue to be monitored closely for the rest of the financial year.

Any changes to current projections in either Revenue or Capital budgets will be detailed in future reports to this board.

2. **HR and Organisational Development** - None directly arising from this report.
3. **Community/Council Planning** - None directly arising from this report.
4. **Legal** - None directly arising from this report.
5. **Information Technology** - None directly arising from this report.
6. **Equality and Human Rights** - None directly arising from this report.
7. **Health and Safety** - None directly arising from this report.
8. **Procurement** - None directly arising from this report.
9. **Risk** - The potential risk that the Council will overspend its approved budgets for the year will be managed at a Council-wide level by the Chief Executive and Directors.
10. **Privacy Impact** - None directly arising from this report.
11. **Cosla Policy Position** - N/a.
12. **Climate Risk** - None directly arising from this report.

List of Background Papers

Revenue Budget and Council Tax 2023/24. Council, 2 March 2023.

Non-Housing Capital Investment Programme 2023/24 to 2027/28. Council, 2 March 2023.

HRA Capital Investment Programme 2023/24 to 2027/28, Council on 2 March 2023.

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RENFREWSHIRE COUNCIL
REVENUE BUDGET MONITORING STATEMENT 2023/24
1 April 2023 to 23 June 2023

POLICY BOARD : FINANCE, RESOURCES & CUSTOMER SERVICES - OVERVIEW

Policy Board	Approved Annual Budget	Budget Adjustments	Revised Annual Budget at Period 3	Projected Outturn	Budget Variance (Adverse) or Favourable	
	£000	£000	£000	£000	£000	%
Communities and Housing Services	13,567	591	14,158	13,815	343	2.4%
Education and Children's Services	239,035	6,317	245,352	247,975	(2,623)	(1.1%)
Infrastructure, Land and Environment	31,123	(317)	30,806	33,154	(2,348)	(7.6%)
Finance, Resources and Customer Services	97,666	833	98,499	99,554	(1,055)	(1.1%)
Adult Services	94,264	3,273	97,537	97,537	0	0.0%
Planning	595	6	601	607	(6)	(1.0%)
Economy and Regeneration	3,086	7	3,093	3,091	2	0.1%
Chief Executive's Service	20,010	(469)	19,541	19,533	8	0.0%
GENERAL SERVICES NET EXPENDITURE	499,346	10,241	509,587	515,266	(5,679)	(1.1%)
Housing Revenue Account (HRA)	0	0	0	0	0	0.0%
NET EXPENDITURE	499,346	10,241	509,587	515,266	(5,679)	(1.1%)

Policy Board	Key Reasons for Significant Projected Variance
Communities and Housing Services	The projected underspend here relates to vacancies within the Communities and Public Protection service, which are currently being reviewed by operational management.
Education and Children's Services	Of the reported forecast overspend, £2.651m is related mainly to external specialised residential accommodation placements within Children and Families. An additional £2m was set aside in the 2023/24 budget, with an expectation that up to a further £3m may be required to be funded from ringfenced balances; this will be closely monitored as the year progresses. All external placements are held under continual review by the service to ensure they continue to meet the needs of the individual children and young people and options to mitigate cost pressures continue to be examined. Further overspends are anticipated in relation to contracted mainstream and additional support needs transport costs.
Infrastructure, Land and Environment	The main drivers of the projected year-end overspend of £2.348m are the ongoing shortfall in parking income; waste collection costs that are largely driven by inflationary factors and absence cover as a result of annual leave and sick leave, and the impact of other inflationary pressures across the services. Additional expenditure has been incurred as a result of ongoing tree management work that is currently being carried out by the Streetscene team with further analysis required here to establish the full current year impact on the budget.
Finance, Resources and Customer Services	The projected year-end overspend is £1.055m, arising from overspends in the repair and maintenance of street lighting columns, due to inflationary pressures, as well as a forecast income under-recovery within Soft Facilities Management. The position will continue to be monitored closely for the rest of the financial year, with mitigating actions by management following more detailed analysis of drivers.
Housing Revenue Account (HRA)	An underspend in employee costs is projected due to the timing of recruitment of vacancies within the service. Property costs are projected to overspend, reflecting ongoing demands for repair and maintenance provision, particularly in void properties, as well as additional Council Tax costs for these properties. Transfer payments are forecast to overspend, owing to the impact of repairs pressures on void rent loss. These overspends are expected to be offset by additional interest income due to higher than budgeted interest rates. Overall the HRA is therefore projecting a break-even position at the year-end.

RENFREWSHIRE COUNCIL
REVENUE BUDGET MONITORING STATEMENT 2023/24
1 April 2023 to 23 June 2023

POLICY BOARD : FINANCE, RESOURCES & CUSTOMER SERVICES - OVERVIEW

Subjective Summary	Approved Annual Budget	Budget Adjustments	Revised Annual Budget at Period 3	Total Projected Outturn	Budget Variance (Adverse) or Favourable	
	£000	£000	£000	£000	£000	%
Employees	357,984	(7,898)	350,086	349,095	991	0.3%
Premises Related	44,692	576	45,268	47,322	(2,055)	(4.5%)
Transport Related	13,748	(2)	13,746	15,720	(1,974)	(14.4%)
Supplies and Services	87,011	8,216	95,227	97,666	(2,439)	(2.6%)
Third Party Payments	96,094	4,446	100,540	103,543	(3,003)	(3.0%)
Transfer Payments	71,078	14,382	85,460	86,359	(899)	(1.1%)
Support Services	5,906	(2,762)	3,144	3,083	61	1.9%
Depreciation and Impairment Losses	27,023	0	27,023	27,028	(5)	0.0%
GROSS EXPENDITURE	703,536	16,958	720,494	729,817	(9,323)	(1.3%)
Income	(204,190)	(6,717)	(210,907)	(214,551)	3,644	1.7%
NET EXPENDITURE	499,346	10,241	509,587	515,266	(5,679)	(1.1%)

RENFREWSHIRE COUNCIL
CAPITAL INVESTMENT STRATEGY - NON-HOUSING SERVICES
1st April to 23rd June 2023
POLICY BOARD: FINANCE, RESOURCES & CUSTOMER SERVICES

		Current Year 2023-24						Full Programme - All years			
	Prior Years Expenditure to 31/03/2023*	Approved Budget 2023-24	Budget Adjustments in 2023-24	Revised Budget 2023-24	Projected Outturn 2023-24	Budget Variance (Adverse) or Favourable		Total Approved Budget to 31-Mar-27 £000	Projected Outturn to 31-Mar-27 £000	Budget Variance (Adverse) or Favourable	
	£000	£000	£000	£000	£000						
EDUCATION & CHILDREN'S SERVICES											
Education & Children's Services	71,715	8,905	(1,567)	7,338	7,195	143	2%	157,644	157,501	143	0%
TOTAL	71,715	8,905	(1,567)	7,338	7,195	143	2%	157,644	157,501	143	0%
COMMUNITIES, HOUSING & PLANNING											
Housing(HRA)	40,827	29,678	0	29,678	29,678	0	0%	319,242	319,242	0	0%
Housing(PSHG)	0	600	517	1,117	1,117	0	0%	1,117	1,117	0	0%
TOTAL	40,827	30,278	517	30,795	30,795	0	0%	320,359	320,359	0	0%
INFRASTRUCTURE, LAND & ENVIRONMENT											
Environment & Infrastructure	78,986	11,868	4,808	16,676	16,676	0	0%	97,689	97,689	0	0%
TOTAL	78,986	11,868	4,808	16,676	16,676	0	0%	97,689	97,689	0	0%
ECONOMY & REGENERATION											
Economy and Development	54,136	39,128	4,073	43,201	43,201	0	0%	106,181	106,181	0	0%
TOTAL	54,136	39,128	4,073	43,201	43,201	0	0%	106,181	106,181	0	0%
FINANCE, RESOURCES & CUSTOMER SERVICES											
Corporate Projects	4,576	9,982	357	10,339	10,339	0	0%	24,604	24,604	0	0%
TOTAL	4,576	9,982	357	10,339	10,339	0	0%	24,604	24,604	0	0%
LEADERSHIP											
Leisure Services	2,548	1,725	461	2,186	2,186	0	0%	4,733	4,733	0	0%
Chief Executives	111,559	73,719	(7,569)	66,150	66,150	0	0%	360,864	360,864	0	0%
TOTAL	114,107	75,444	(7,108)	68,336	68,336	0	0%	365,597	365,597	0	0%
TOTAL ALL BOARDS	364,347	175,605	1,080	176,685	176,542	143	0.1%	1,072,074	1,071,931	143	0%
MADE UP OF :-											
Non-Housing Programme	323,520	145,327	563	145,890	145,747	143	0%	751,715	751,572	143	0%
Housing Programme(HRA)	40,827	29,678	0	29,678	29,678	0	0%	319,242	319,242	0	0%
Housing Programme(PSHG)	0	600	517	1,117	1,117	0	0%	1,117	1,117	0	0%
PROGRAMME TOTAL	364,347	175,605	1,080	176,685	176,542	143	0.1%	1,072,074	1,071,931	143	0%

RENFREWSHIRE COUNCIL
2023/24 CAPITAL BUDGETS MONITORING SUMMARY REPORT TO 23rd JUN 2023

	2023/24			
	Housing Services	Non Housing Services	PSHG Programme	Total
A. RESOURCES AVAILABLE TO FUND CAPITAL PROGRAMME	£'000	£'000	£'000	£'000
1. Prudential Borrowing	23,438	95,812		119,250
2a General Capital Grant		16,039	600	16,639
2b. Specific Capital Grant	1,786	2,186		3,972
3. Usable Capital Receipts	530	29,917		30,447
4. Contribution From Current Revenue (CFCR)	3,924	1,936	517	6,377
5 Total Resource Availability	29,678	145,890	1,117	176,685
B. CAPITAL PROGRAMME				
6. Resources Available	29,678	145,890	1,117	176,685
7. Current Programme	29,678 100%	145,890 100%	1,117 100%	176,685 100%
C. ACTUAL EXPENDITURE VS PROJECTED				
8. Resource Availability	29,678	145,890	1,117	176,685
9. Cash Spent at 23 June 2023	2,583 9%	10,717 7%	218 20%	13,518 8%
10. Cash to be Spent by 31 March 2024	27,095	135,173	899	163,167
D. ACTUAL RECEIPTS VS PROJECTED				
11. Current Programme (total receipts expected)	2,316	48,142	600	51,058
12. Actual Cash Received at 23 June 2023	826 36%	6,405 13%	99 17%	7,330 14%
13. Receipts to be received by 31 March 2024	1,490	41,737	501	43,728