

Quarter 2 Budget Monitoring Report 2018-19

Cabinet	13 December 2018
Report Author	Tim Willis, Deputy Chief Executive and s151 Officer
Portfolio Holder	Cllr Ian Gregory, Portfolio Holder for Financial Services and Estates
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Ward:	All Wards

This report provides an update of the Council's 2018-19 revenue and capital forecasts against budget as at the end of September 2018.

Recommendation(s):

1. That Cabinet notes the 2018-19 Quarter 2 forecast position for:
 - (i) The General Fund;
 - (ii) The Housing Revenue Account;
 - (iii) The General Fund and Housing Revenue Account Capital Programmes.
2. That Cabinet agrees to the updated General Fund and Housing Revenue Account capital programmes as set out in Annex 1 and Annex 2 to this report.

CORPORATE IMPLICATIONS

Financial and Value for Money	The financial implications have been reflected within the body of the report. Achieving value for money is critical to the Council's medium term financial strategy and one of the three Corporate Values.
Legal	Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, it is the Deputy Chief Executive and s151 Officer, and this report is helping to carry out that function.
Corporate	Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the Council's current position.
Equalities Act 2010 & Public Sector Equality Duty	Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it. Protected characteristics: age, gender, disability, race, sexual orientation,

	gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.
	Please indicate which aim is relevant to the report.
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it
	Foster good relations between people who share a protected characteristic and people who do not share it.
	There are no equity and equalities implications arising directly from this report, but the Council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.
	It is important to be aware of the Council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by Council.

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	✓
Promoting inward investment and job creation	✓
Supporting neighbourhoods	✓

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	

1.0 General Fund – Revenue Forecast 2018-19

- 1.1 The 2018-19 General Fund budget of £16.8m was agreed at the Council meeting on 8 February 2018. It was arrived at after allowing for £2.7m of savings proposals to bridge the funding gap.
- 1.2 Table 1 summarises the current projected General Fund spending position at the end of September 2018.

Table 1 - General Fund - Projected Forecast 2018-19

Function	2018-19 Budget £'000	2018-19 Forecast £'000	2018-19 Variance £'000	
Chief Executive	179	179	0	
Deputy Chief Executive and s151 Officer	6,530	6,390	-140	See paragraph 2.1
Corporate Governance	599	789	190	See paragraph 2.2
Operations and Commercialisation	7,204	7,834	630	See paragraph 2.3
Corporate Budgets	2,288	2,288	0	
Total Net Expenditure	16,800	17,480	680	

- 1.3 All budgets will continue to be regularly monitored to ensure that the council's expenditure remains within the agreed budget. This will include monitoring the savings targets introduced to bridge the funding gap identified in the report to February Council. Each of the services projecting an overspend as above are striving to minimise or eliminate the overspend before the end of the year.

2.0 General Fund detail by Directorate:

Deputy Chief Executive and s151 Officer

- 2.1 An underspend of £140k is currently forecast:

- (i) Additional income on investment activity will generate a potential £70k surplus at year end.
- (ii) Various minor underspends across Financial Services of £30k including underspends on bank charges and equipment purchase.
- (iii) Additional costs recovered on Council Tax will generate an estimated £40k at year end.

It is also worth noting that the Housing Needs budget continues to experience significant pressure due to increased demand for temporary accommodation and additional statutory obligations. Although the direct housing costs are currently forecast to be contained within the budget, this has also had an impact on housing benefits payments and benefit subsidy. Balanced against this pressure is the forecast one-off benefit of the Kent Business Rates retention pilot.

Director of Corporate Governance

- 2.2 An overspend of £190k is currently forecast:

- (i) Work is ongoing to deliver savings attributable to Your Leisure, but there remains £190k of the original £350k saving to be delivered.
- (ii) Property income in this service area remains under scrutiny and any shortfall in income will be managed within the service.
- (iii) Legal Services staffing budgets may overspend as a result of difficulties in recruiting to permanent posts and the consequential higher cost of interims. This budget is being closely monitored in order to control costs and, if necessary, flag up a forecast overspend in Q3.

Director of Operations and Commercialisation

- 2.3 An overspend of £630k is currently forecast:

- (i) Currently there is a predicted overspend of £500k against the Port budget.
- (ii) There is a £70k forecast overspend on fuel costs as a result of higher fuel prices.
- (iii) The £60k forecast net income for clinical waste will not be achieved this year.
- (iii) Within Operational Services there is a risk that the £90k income budget for beach wifi will not be achieved. Monitoring data on this budget is still being collected and a more definitive view will be known in Q3.

3.0 Housing Revenue Account (HRA) – Projected Revenue Forecast 2018-19

3.1 The HRA is currently forecast to have a deficit of £107k in 2018-19, which represents a £185k underspend against the budgeted deficit of £292k.

3.2 The main reason is in relation to the repairs and maintenance external decorations. The contract has been terminated and it is anticipated that a new contract will start in 2019-20. The 2018-19 budget is therefore not required and it is proposed that this is returned to the HRA balances reserve. £250k was held in reserve in 2017-18 in case of any backlog of works. EKH have advised that no backlog of works has been identified and it is proposed that the £250k contingency is also returned to the HRA balances reserve.

3.3 Table 2 provides a summary of the projected spending position on the Housing Revenue Account compared to the original budget.

Table 2 - HRA – Projected Forecast 2018-19

	2018-19 Budget	2018-19 Projected Forecast	2018-19 Variance
	£'000	£'000	£'000
Income:			
Dwelling Rents	(12,786)	(12,646)	140
Non-dwelling Rents	(139)	(140)	(1)
Charges for services and facilities	(480)	(451)	29
Contributions towards expenditure	(349)	(351)	(2)
TOTAL INCOME	(13,754)	(13,588)	166
Expenditure			
Repairs & Maintenance	3,261	2,942	(319)
Supervision & Management	4,319	4,287	(32)
Depreciation & Impairments	3,771	3,771	0
Allowance for bad or doubtful debts	170	170	0
Contribution to Capital	300	393	93
Non-service specific expenditure	1,390	1,390	0
TOTAL EXPENDITURE	13,211	12,953	(258)
Other Adjustments:			
HRA Investment Income	(35)	(35)	0
Debt Interest Charges	1,007	1,007	0
Government Grants and Contributions	(1,034)	(1,034)	0
Adjustments, accounting /funding basis	897	804	(93)
Deficit/ (Surplus) for HRA Services	292	107	(185)

3.4 Table 3 outlines the key variances.

Table 3 - HRA Main Variances

Budget	(Under)/ Overspend	Explanation
	£000	
Dwelling Rents	140	The budgeted figure includes rental income for properties in the Margate Housing Intervention and the New Build Programme. The current projection is based upon the current actual rent debit. This projection will be reviewed as properties are completed and let during the year and will reduce. When the budgeted figure was set, it was not anticipated that an additional 19 properties would be sold that year through Right To Buy and so the budgeted rent figure includes rental income for these properties.
Charges for Services and Expenditure	29	Communal heating costs are higher than anticipated. Recovery costs in relation to tenant service charges are not sufficient to cover the costs.
Repairs & Maintenance	(319)	Underspends relate to external decorations, heating servicing, non contract works, void/relet works, decorating vouchers, RWOs and housing officer funds. Overspends relate to heating repairs, electrical & mechanical servicing and repairs (including emergency lighting), communal lift repairs, water safety repairs, damp works and disinfestation.
Supervision & Management	(32)	Reduced contributions to project co-ordinator post as HRA activity has reduced. EKH forecast that the grounds maintenance budget in relation to HRA Open Spaces is not required.
Contribution to Capital/Other Adjustments	(3)	East Kent Housing (EKH) additional £93k loan for the single housing system to be funded from HRA balances.
TOTAL VARIANCES	(185)	

4.0 General Fund Capital Programme – Projected Outturn 2018-19

4.1 As reported in the Q1 Budget Monitoring Report, spending officers have been robustly challenged as part of the half-year monitoring process and the programme has been subsequently reduced by £3.8m in the 2018-19 General Fund capital budget. The council's 2018-19 revised General Fund capital programme of £13.5m (£12.8m as per annex 1 + £0.7m flexible use of capital receipts) is all planned to be spent without significant variation.

4.2 **Annex 1** shows that £8.4m has been currently committed against this year's budgets.

5.0 **Housing Revenue Account (HRA) – Projected Capital Outturn 2018-19**

5.1 Of the £20.9m budget allocated to HRA capital schemes it is currently anticipated that £13.5m will not be spent by year end, this is formed of £0.8m EKH budgets not required, £2.3m EKH slippage and £10.4m TDC reprofiling. A further breakdown is provided in Annex 2.

5.2 It was mentioned in the quarter 1 monitoring report that East Kent Housing was reviewing existing contracts. It is this review that has led to the identification of its slippage. The Head of Housing and Planning has raised the matter with EKH and is waiting for a response on what it proposes to do to bring projects back on track by 2019-20.

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Annex List

Annex 1	GF Capital Programme Qtr1 2018-19
Annex 2	HRA Capital Programme Qtr1 2018-19

Background Papers

Title	Details of where to access copy
None	N/A

Corporate Consultation

Finance	N/A
Legal	Sophia Nartey, Head of Legal Services