

Quarter 3 Budget Monitoring Report 2018-19

Cabinet	14 March 2019
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 December 2018.

Recommendation(s):

1. That Cabinet notes the 2018-19 Quarter 3 forecast position for:
 - (i) The General Fund;
 - (ii) The Housing Revenue Account;
 - (iii) The General Fund and Housing Revenue Account Capital Programmes;
2. Cabinet agrees to the updated General Fund and Housing Revenue Account capital programmes as set out in Annex 1 and 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

	<p>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.</p> <p>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.</p>
	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 December 2018.

Table 1 - General Fund - Forecast against Budget 2018-19

Function	2018-19 Budget £'000	2018-19 Forecast £'000	2018-19 Variance £'000	
Chief Executive	179	171	-8	See paragraph 2.1
Deputy Chief Executive and s151 Officer	6,530	6,390	-140	See paragraph 2.2

Corporate Governance	599	1,023	424	See paragraph 2.3
Operations and Commercialisation	7,204	7,834	630	See paragraph 2.4
Corporate Budgets	2,288	2,288	0	
Total Net Expenditure	16,800	17,706	906	

- 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 2018 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:

Chief Executive

- 2.1 An underspend of £8k is forecast:

- (i) This is in the mainly due to vacant post savings.

Deputy Chief Executive and s151 Officer

- 2.2 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 the corporate budgets of housing benefits payments and benefit subsidy. Balanced against this pressure is the forecast one-off financial benefit of the Kent Business Rates retention pilot, although this will also be available to help fund any residual overspend across service budgets.

Director of Corporate Governance

- 2.3 An overspend of £424k 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 however the current shortfall in income is forecast to be £215k.

- (iii) Building control is currently reporting an adverse position of £199k, this is in the main due to forecast income being below budget.
- (iv) Land Charges is currently reporting an adverse position of £116k, this is in the main due to reduced income as a result of a change in the way customers utilise this service.
- (v) There are some compensatory savings in respect of vacant posts (£143k), increased surveyors fee income (£127k) and other minor underspends (£26k).

Director of Operations and Commercialisation

2.4 An overspend of £630k is currently forecast:

- (i) Currently there is a predicted overspend of £500k against the Port, as a result of a combination of forecast expenditure being higher and income being lower than budgeted.
- (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 the £90k income budget for beach wifi will not be achieved. Work has been undertaken within the service to find compensating savings, however there remains a risk that the shortfall in income will not be fully balanced by savings.

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

- 3.1 The HRA is currently forecast to have a surplus of £12k in 2018-19, which represents a £302k underspend against the original budgeted deficit of £290k.
- 3.2 The Revised Budgeted deficit reflects £346k of unused repairs and maintenance budgets being returned to HRA balances mainly due to the new external decorations contract being unlikely to commence until 2019-20.
- 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 – Forecast against Budget 2018-19

	2018-19 Revised Budget	2018-19 Projected Forecast	2018-19 Variance
	£'000	£'000	£'000
Income:			
Dwelling Rents	(12,786)	(12,649)	137
Non-dwelling Rents	(139)	(142)	(3)
Charges for services and facilities	(480)	(451)	29
Contributions towards expenditure	(349)	(360)	(11)

TOTAL INCOME	(13,754)	(13,602)	152
Expenditure			
Repairs & Maintenance	2,906	2,903	(3)
Supervision & Management	4,323	4,221	(102)
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	12,860	12,848	(12)
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	(59)	(12)	47

3.4 Table 3 outlines the key variances.

Table 3 - HRA Main Variances

Budget	(Under)/ Overspend £000	Explanation
Dwelling Rents	137	<p>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 further.</p> <p>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.</p>
Charges for Services and Contributions towards Expenditure	18	<p>Communal heating costs are higher than anticipated. Recovery costs in relation to tenant service charges are not sufficient to cover the costs.</p> <p>Additional leaseholder contributions towards expenditure.</p>

Repairs & Maintenance	(3)	Underspends relate to water safety, door entry servicing, non contract works, void/relet works, decorating vouchers, RWOs and housing officer funds. Overspends relate to asbestos removal, heating repairs, estate clearance, damp works and disinfestation.
Supervision & Management	(102)	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. The relocation of the utility meters at Coastguard Cottages is no longer required. The Welfare Reform contingency budget is not required this financial year.
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	47	

4.0 General Fund Capital Programme – Forecast 2018-19

- 4.1 The council's 2018-19 revised General Fund capital programme of £14m (£13.3m as per annex 1 + £0.7m flexible use of capital receipts) is expected to be spent with the exception of £330k.
- 4.2 **Annex 1** shows that £9.6m has been currently committed against this year's budgets.

5.0 Housing Revenue Account Capital Programme – Forecast 2018-19

- 5.1 Of the revised £6.8m budget allocated to HRA capital schemes it is currently anticipated that this will all be spent by year end. A breakdown is provided in Annex 2.

Contact Officer:	Matthew Sanham, Acting Head of Financial and Procurement Services
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Annex List

Annex 1	GF Capital Programme Qtr3 2018-19
Annex 2	HRA Capital Programme Qtr3 2018-19

Background Papers

Title	Budget monitoring papers held in Financial Services
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Corporate Consultation

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