

Quarter 1 Budget Monitoring Report 2019-20

Cabinet	19 September 2019
Report Author	Tim Willis, Deputy Chief Executive and s151 Officer
Portfolio Holder	Cllr David Saunders, 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 2019-20 revenue and capital forecasts against budget as at the end of June 2019.

Recommendation(s):

1. That Cabinet notes the 2019-20 Quarter 1 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 2019-20

- 1.1 The 2019-20 General Fund budget of £16.6m was agreed at the Council meeting on 28 February 2019. It was arrived at after allowing for £1.35m of savings proposals to bridge the funding gap (after netting off £500k Port growth from £500k Port savings).
- 1.2 In addition to the £1.35m of savings proposals there are several budget pressures highlighted at the end of 2018-19 that have the potential to recur in 2019-20 and will need close monitoring throughout 2019-20.
- 1.3 Table 1 overleaf summarises the current projected General Fund spending position at the end of June 2019.

Table 1 - General Fund - Forecast against Budget 2019-20

Function	2019-20 Budget £'000	2019-20 Forecast £'000	2019-20 Variance £'000	
Chief Executive	368	368	0	
Deputy Chief Executive and s151 Officer	7,653	7,653	0	See paragraph 2.1
Corporate Governance	1,124	1,601	477	See paragraph 2.2
Operations and Commercialisation	4,916	5,301	385	See paragraph 2.3
Corporate Budgets	2,539	2,539	0	
Total Net Expenditure	16,600	17,462	862	

- 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 2019 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 A breakeven position is currently forecast but with one area to note:

- (i) **Housing Needs** - budgets remain under 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, based on an anticipated reduction in Intervention costs including B&B/temporary accommodation costs - the nature of this provision makes any early predictions difficult to quantify.

Director of Corporate Governance

- 2.2 An overspend of £477k is currently forecast:

- (i) **Property income** - in this service area remains under scrutiny however the current shortfall in income is forecast to be £240k. Work has commenced to look at the current portfolio, the age and condition of stock as well as market forces that are impacting rentals.
- (ii) There are some compensatory savings in respect of vacant posts (£31k), potential increased surveyors fee income (£150k).
- (iii) **Building control** - is currently reporting an adverse position of £227k, this is in the main due to forecast income being below budget, although work is under way to mitigate the impact of this.

- (iv) **Land Charges** - is currently reporting an adverse position of £191k, this is in the main due to reduced income as a result of a change in the way customers utilise this service, although work is under way to mitigate the impact of this.

Director of Operations and Commercialisation

2.3 An overspend of £385k is currently forecast:

- (i) **Domestic Waste Collection** - The 2019-20 was budget increased, but there remains a residual £35k pressure. There are plans to rationalise rubbish collection rounds, which will aid reduced fuel consumption, however this will need to be delivered in 2019-20 to aid mitigation. Further risk to fuel prices post Brexit.
- (ii) **Clinical Waste** - The £60k forecast net income for clinical waste will not be achieved this year.
- (iii) **Coastal Development** - The £86k income target for this service area may 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.
- (iv) **Facilities** - £175k of savings are required in relation to the rationalisation of facilities, a working group has been set up to consider options for this moving forward, but alternative savings need to be identified for 2019/20.
- (v) **Green Waste** - Income is down compared to budget, this could see an impact of £20k.
- (vi) Other minor variations £9k.

3.0 Housing Revenue Account (HRA) – Projected Revenue Forecast 2019-20

- 3.1 The HRA is currently forecast to have a deficit of £131k in 2019-20, which represents a £288k underspend against the original budgeted deficit of £419k.
- 3.2 The Revised Budgeted deficit reflects £288k of increased income based on lower voids.
- 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 2019-20

	2019-20 Revised Budget £'000	2019-20 Projected Forecast £'000	2019-20 Variance £'000
Income:			
Dwelling Rents	(12,345)	(12,618)	(273)
Non-dwelling Rents	(227)	(242)	(15)
Charges for services and facilities	(466)	(466)	-
Contributions towards expenditure	(366)	(366)	-
TOTAL INCOME	(13,404)	(13,692)	(288)
Expenditure			
Repairs & Maintenance	3,361	3,361	-
Supervision & Management	3,904	3,904	-
Depreciation & Impairments	3,754	3,754	-
Allowance for bad or doubtful debts	200	200	-
Contribution to Capital	1,370	1,370	-
Non-service specific expenditure	263	263	-
TOTAL EXPENDITURE	12,852	12,852	(288)
Other Adjustments:			
Share of Members and Democratic Core	148	148	-
HRA Investment Income	(240)	(240)	-
Debt Interest Charges	946	946	-
Government Grants and Contributions	-	-	-
Adjustments, accounting /funding basis	117	117	-
Deficit/ (Surplus) for HRA Services	419	131	(288)

3.4 Table 3 outlines the key variances.

Table 3 - HRA Main Variances

Budget	(Under)/ Overspend £000	Explanation
Dwelling Rents / Non-Dwelling Rents	(288)	Lower level of voids.
TOTAL VARIANCES	(288)	

4.0 General Fund Capital Programme – Forecast 2019-20

4.1 The council's 2019-20 revised General Fund capital programme of £16.22m (£15.65m as per annex 1 + £0.57m flexible use of capital receipts) is expected to be spent.

4.2 **Annex 1** shows that £3.4m has been currently committed against this year's budgets.

4.3 Annex 1 also shows the following key changes to the revised programme:

- Addition of the Broadstairs Play Area Enhancement Scheme £135k
- Westbrook to St Mildred's Sea Wall work £600k, reprofiled to 2020-21
- Viking Bay Flood Defence scheme £200k incorporated into Broadstairs Flood and Coast Protection scheme and reprofiled to later years.

5.0 Housing Revenue Account Capital Programme – Forecast 2019-20

5.1 East Kent Housing have reported that the Royal Crescent scheme will not achieve significant spend this financial year and as a result £1.275m across roofing and structural repairs will remain unspent.

5.2 A further £2.5m has been allocated to the acquisitions programme in order for the Council to utilise its 1-4-1 receipts (30%) by the required deadlines and avoid returning these receipts to the government with interest.

5.3 As per the report to Cabinet dated 15/11/2018, £727,600 has been allocated to the Acquisition Programme.

5.4 A breakdown is provided in **Annex 2**.

Contact Officer:	Chris Blundell, Head of Financial and Procurement Services
Reporting to:	Tim Willis, Deputy Chief Executive and S151 Officer

Annex List

Annex 1	GF Capital Programme Qtr1 2019-20
Annex 2	HRA Capital Programme Qtr1 2019-20

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