

Quarter 2 Budget Monitoring Report 2019-20

Cabinet	14 November 2019
Report Author	Tim Willis, Deputy Chief Executive and s151 Officer
Portfolio Holder	Cllr Robert Yates, 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 Sept 2019.

Recommendation(s):

1. That Cabinet notes the 2019-20 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. 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 monitor and control the Council's finances in order to provide a balanced budget.
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

	<p>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.
	<p>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.</p> <p>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.</p>

CORPORATE PRIORITIES (tick those relevant) ✓	
Growth	✓
Environment	✓
Communities	✓

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 September 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	7,633	(20)	See paragraph 2.1
Corporate Governance	1,124	1,619	495	See paragraph 2.2
Operations and Commercialisation	4,916	5,170	254	See paragraph 2.3
Corporate Budgets	2,539	2,539	0	See paragraph 2.3
Total Net Expenditure	16,600	17,329	729	

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 potential underspend (£20k) is currently forecast:

- (i) **Housing Needs** - budgets remain under significant pressure due to increased demand for temporary accommodation and additional statutory obligations, despite reductions in intervention costs including B&B/temporary accommodation costs - the nature of this provision makes predictions difficult to quantify however, it is currently looking like there may be a £230k overspend.
- (ii) **Business Rates** - Early monitoring is indicating a potential surplus over and above that which was budgeted in the region of £250k. This area of financing is somewhat volatile and as a result is by no means guaranteed.

Director of Corporate Governance

2.2 An overspend of £495k is currently forecast:

- (i) **Property income** - in this service area remains under scrutiny however the current shortfall in income is forecast to be £289k. Work has commenced to look at the current portfolio, the age and condition of stock as well as market forces that are impacting rentals, however the outcome of this review is unlikely to benefit the 2019-20 budget.
- (ii) There are some compensatory savings in respect of vacant posts (£19k) and potential increased surveyors fee income (£150k).
- (iii) **Building control** - is currently reporting an adverse position of £200k, this is in the main due to forecast income being below budget/ Work is under way to mitigate the long-term impact of this income shortfall, however the outcome of this is unlikely to benefit the 2019-20 budget.
- (iv) **Land Charges** - is currently reporting an adverse position of £157k, 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.
- (v) **Other Minor variations** - £18k

Director of Operations and Commercialisation

2.3 An overspend of £254k is currently forecast:

- (i) **Domestic Waste Collection** - The 2019-20 fuel budget was increased to fund inflationary demand, but there remains a residual £38k 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.

There is also a pressure around the cost of replacement bins of £20k.
- (ii) **Clinical Waste** - The £60k forecast net income for clinical waste will not be achieved this year.
- (iii) **Coastal Development** - The £85k 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** - £75k of residual 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 to clear the remainder of this requirement.
- (v) **Green Waste** - Income is down compared to budget, this could see an impact of £17k.
- (vi) **Grounds Maintenance** - Various vacant posts are resulting in a saving of (£41k).

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

3.1 The HRA is currently forecast to have a deficit of £411k in 2019-20, which represents an £8k underspend against the original budgeted deficit of £419k.

- 3.2 The Revised Budgeted deficit reflects £258k of increased income based on lower voids, offset by variations in the repairs and maintenance programme and an increased management fee to EKH to put in place measures to correct recent compliance issues.
- 3.3 Table 2 overleaf 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 Budget	2019-20 Projected Forecast	2019-20 Variance
	£'000	£'000	£'000
Income:			
Dwelling Rents	(12,345)	(12,588)	(243)
Non-dwelling Rents	(227)	(242)	(15)
Charges for services and facilities	(466)	(466)	-
Contributions towards expenditure	(366)	(366)	-
TOTAL INCOME	(13,404)	(13,662)	(258)
Expenditure			
Repairs & Maintenance	3,361	3,354	(7)
Supervision & Management	3,904	4,107	203
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	13,048	196
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	171	54
Deficit/ (Surplus) for HRA Services	419	411	(8)

3.4 Table 3 outlines the key variances.

Table 3 - HRA Main Variances

Budget	(Under)/ Overspend £000	Explanation
Dwelling Rents / Non-Dwelling Rents	(258)	Lower level of voids.
Repairs and Maintenance	(7)	Variations across repairs and maintenance programme
Supervision and Management	203	Agreed increase in management fee to address current compliance issues
Adjustments, accounting /funding basis	54	Additional Affordable Rent income to New Properties Reserve
TOTAL VARIANCES	(8)	

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 £3.366m has been currently committed against this year's budgets.

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

- Ramsgate Harbour water supply upgrade scheme, now Ramsgate Harbour utilities supply upgrade.

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 £1.654m across roofing and structural repairs will remain unspent.

5.2 A further underspend of £439k is reported against the lift programme due to procurement delays and so only one lift will be completed this financial year.

5.3 Based on the high number of OT referrals being received a forecast additional spend of £100k on disabled adaptations is forecast.

5.4 There are other minor forecast variations that result in a net £80k saving and these are highlighted in the breakdown 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
--------------	---

Corporate Consultation

Finance	N/A
Legal	Estelle Culligan, Head of Legal and Democratic Services