

## Quarter 3 Budget Monitoring Report 2019-20

Cabinet	<b>12 March 2020</b>
Report Author	<b>Tim Willis, Deputy Chief Executive and s151 Officer</b>
Portfolio Holder	<b>Cllr Robert Yates, Portfolio Holder for Financial Services and Estates</b>
Status	<b>For Decision</b>
Classification:	<b>Unrestricted</b>
Key Decision	<b>No</b>
Ward:	<b>All Wards</b>

This report provides an update of the Council's 2019-20 revenue and capital forecasts against budget as at the end of December 2019.

### Recommendation(s):

1. That Cabinet notes the 2019-20 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

<b>Financial and Value for Money</b>	<p>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.</p> <p>Any overspend at year end will have to be funded from reserves, which are relatively low in comparison to other local authorities. Additionally, the 2020-21 budget was agreed on the basis that most of the factors behind the 2019-20 overspend would be addressed in 2019-20. So far, there is limited evidence that this is happening in some areas, which could undermine the council's ability to deliver next year's budget. This will be kept under review.</p>
<b>Legal</b>	<p>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.</p>

<b>Corporate</b>	Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the Council's current position.				
<b>Equalities Act 2010 &amp; Public Sector Equality Duty</b>	<p>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.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy &amp; maternity. Only aim (i) of the Duty applies to Marriage &amp; civil partnership.</p> <table border="1"> <tr> <td>Please indicate which aim is relevant to the report.</td> </tr> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> </tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> </tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td> </tr> </table> <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>	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.
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<b>CORPORATE PRIORITIES (tick those relevant) ✓</b>	
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 incorporated £1.35m of savings proposals to bridge the funding gap (after netting off £500k Port growth from £500k Port savings).
- 1.2 As identified in earlier budget monitoring reports, as well as the £1.35m of savings proposals there were several budget pressures highlighted at the end of 2018-19 that had the potential to recur in 2019-20. There were also several 2019-20 problem budgets identified in Q2 that were to some extent factored in to the 2020-21 budget preparation.
- 1.3 Table 1 below summarises the current projected General Fund spending position at the end of December 2019.

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

Function	2019-20 Budget £'000	2019-20 Forecast £'000	2019-20 Variance £'000		2019-20 Qtr2 Forecast £'000
Chief Executive	368	368	0		0
Deputy Chief Executive and s151 Officer	7,653	7,623	(30)	See paragraph 2.1	(20)
Corporate Governance	1,124	1,813	689	See paragraph 2.2	495
Operations and Commercialisation	4,916	5,124	208	See paragraph 2.3	254
Corporate Budgets	2,539	2,539	0		0
<b>Total Net Expenditure</b>	<b>16,600</b>	<b>17,467</b>	<b>867</b>		<b>729</b>

1.4 With only one quarter remaining of this financial year, there is limited capacity to effect change. However, where possible work will continue to ensure that the council's expenditure remains within the agreed budget, income targets are met and savings are delivered. This will include the saving targets introduced to bridge the funding gap identified in the report to February 2019 Council.

## **2.0 General Fund detail by Directorate/Department:**

### **Deputy Chief Executive and s151 Officer**

2.1 A potential underspend of £30k is currently forecast:

- (i) **Housing Needs** - budgets remain under significant pressure due to increased demand for temporary accommodation and additional statutory obligations. There have been reductions in intervention costs and B&B/temporary accommodation numbers, but the nature of this service makes forecasting difficult. Current predictions suggest higher costs than budgeted, including housing benefit costs, resulting in a £360k overspend. This can be offset by a predicted surplus on business rates. Additional funding has been provided in 2020-21, which in conjunction with service initiatives should mitigate this pressure in the longer term.
- (ii) **Other miscellaneous Savings** - Various small savings across Planning, Finance and Communications of £30k.

### **Director of Corporate Governance**

2.2 An overspend of £689k is currently forecast:

- (i) **Property income** - this service area has increased the number of surveyors to address the historic problems of delays in rent reviews and lease renewals. The current shortfall in income after offsetting some vacant post savings is forecast to be £310k. 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 forecast. Additional funding has been provided in 2020-21, which in conjunction with service initiatives should mitigate this pressure in the longer term.
- (ii) **Building control** - is currently reporting an adverse position of £276k, 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 forecast. Additional funding has been provided in 2020-21, which in conjunction with service initiatives should mitigate this pressure in the longer term.
- (iii) **Land Charges** - is currently reporting an adverse position of £135k, this is in the main due to reduced income as a result of competition from private searches (which we have to service) and the reduction in house sales. Additional funding has been provided in 2020-21, which in conjunction with service initiatives should mitigate this pressure in the longer term.
- (iv) **Other Minor Variances** - Various small variances result in an additional £18k pressure.
- (v) **Facilities Management** - Mostly savings associated with leasing costs as well as other minor variances of £50k.

### **Director of Operations and Commercialisation**

2.3 An overspend of £208k is currently forecast:

- (i) **Domestic Waste Collection** - The 2019-20 fuel budget was increased to fund inflationary demand, but there remains a residual £36k pressure.
- (ii) **Clinical Waste** - The £60k forecast net income for clinical waste will not be achieved this year. Additional funding has been provided in 2020-21, which in conjunction with service initiatives should mitigate this pressure in the longer term.
- (iii) **Coastal Development** - £71k income target for this service area is unlikely to be achieved. Work has been undertaken within the service to find compensating savings, however it is unlikely that the shortfall in income will be balanced by savings this year. Additional funding has been provided in 2020-21, which in conjunction with service initiatives should mitigate this pressure in the longer term.
- (iv) **Public Conveniences** - £51k of residual savings are required in relation to the rationalisation of public conveniences. A working group has been set up to consider options for this moving forward. Additional funding has been provided in 2020-21, which in conjunction with service initiatives should mitigate this pressure in the longer term.

- (v) **Green Waste** - Income is down compared to budget, this could see an impact of £10k.
- (vi) **Grounds Maintenance** - Various minor savings totalling £20k.
- (vii) **Port and Harbours** - There is no overspend or under-recovery of income to report.

2.4 In October/November last year, the monitoring position was used to inform the 2020-21 budget. Some elements of the 2019-20 income shortfalls were assumed to continue into 2020-21 and were funded in 2020-21 by being built into the budget gap. The assumption was that management action would be taken to reduce the in-year income shortfalls and deliver the 2020-21 budget. This quarter's forecasts suggest that any action has not been sufficiently effective and this could jeopardise the delivery of the 2020-21 budget. Any overspends at the end of the current year will have to be funded from reserves.

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

- 3.1 The HRA is currently forecast to have a deficit of £388k in 2019-20, which represents a £79k underspend against the original budgeted deficit of £419k.
- 3.2 The Revised Budgeted deficit reflects £300k 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 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**

	<b>2019-20 Budget</b>	<b>2019-20 Projected Forecast</b>	<b>2019-20 Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income:</b>			
Dwelling Rents	(12,345)	(12,624)	(279)
Non-dwelling Rents	(227)	(248)	(21)
Charges for services and facilities	(466)	(440)	26
Contributions towards expenditure	(366)	(418)	(52)
<b>TOTAL INCOME</b>	<b>(13,404)</b>	<b>(13,730)</b>	<b>(326)</b>
<b>Expenditure</b>			
Repairs & Maintenance	3,361	3,273	(88)
Supervision & Management	3,904	4,283	379
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	-
<b>TOTAL EXPENDITURE</b>	<b>12,852</b>	<b>13,143</b>	<b>291</b>
<b>Other Adjustments:</b>			
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	121	4
<b>Deficit/ (Surplus) for HRA Services</b>	<b>419</b>	<b>388</b>	<b>(31)</b>

3.4 Table 3 outlines the key variances.

**Table 3 - HRA Main Variances**

Budget	(Under)/ Overspend  £000	Explanation
Dwelling Rents / Non-Dwelling Rents	(300)	Lower level of voids than budgeted and additional rent from new builds.
Charges for services and facilities	26	Forecast income based on actual received to date
Contributions towards expenditure	(52)	Increased income, insurance settlements and contributions from other LAs.
Repairs and Maintenance	(88)	Variations across repairs and maintenance programme, primarily in external redecorations.
Supervision and Management	379	Agreed increase in management fee to address current compliance issues and compensation associated with disrepair claims.
Adjustments, accounting /funding basis	4	Additional Affordable Rent income to New Properties Reserve offset by drawdown from reserves.
<b>TOTAL VARIANCES</b>	<b>(31)</b>	

#### 4.0 General Fund Capital Programme – Forecast 2019-20

4.1 The council's 2019-20 revised General Fund capital programme of £16.10m (£15.48m as per annex 1 + £0.62m flexible use of capital receipts) is expected to be under-spent by £6.46m.

4.2 **Annex 1** shows that £5.30m has been currently committed against this year's budgets.

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

- £60k budget transferred from the scheme for End User Computing Refresh (PC replacements) to the scheme for Digitally Enabled Services (reflecting our new approach to digital/Google).
- Dalby Square capital budget reduced by £155k - switched to revenue, but no overall reduction in total spend on Dalby Square.
- Budget increases of £26k and £23k for CCTV and Broadstairs Play Area Enhancement respectively.

## 5.0 Housing Revenue Account Capital Programme – Forecast 2019-20

5.1 East Kent Housing have reported variations to the Capital Programme and as a result £2.757m across the capital programme is forecast to remain unspent at year end. Of this sum £2.707m has been requested to be slipped to 2020-21 with potential underspends of £50k.

5.2 The CCTV project approved as part of the 2020-21 Capital Programme has been brought forward to 2019-20 and vired from forecast capital underspends elsewhere in the programme.

5.2 £1m in relation to TDCs Phase 4 New Build Programme will slip to 2020-21 as a result of a lack of suitable sites.

5.3 1-4-1 Purchases Programme budget adjusted based on Foy House purchase in the general fund and the amount of spend required to meet required expenditure target by central government.

5.4 These variations are highlighted in the breakdown in **Annex 2**.

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### Annex List

Annex 1	GF Capital Programme Qtr3 2019-20
Annex 2	HRA Capital Programme Qtr3 2019-20

### Background Papers

Title	Budget monitoring papers held in Financial Services
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### Corporate Consultation

Finance	N/A
Legal	Tim Howes, Director of Corporate Governance