

Budget Monitoring Report No.2, 2020-21

Cabinet	19 November 2020
Report Author	Tim Willis, Deputy Chief Executive and s151 Officer
Portfolio Holder	Cllr Robert Yates, Portfolio Holder for Finance, Administration and Community Wealth Building
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Ward:	All Wards

Executive Summary:

This report provides a 2020-21 budget monitoring report for General Fund revenue and capital, reflecting the latest forecasts in light of Covid-19.

Recommendation(s):

1. That Cabinet notes the following:
 - (i) The General Fund revenue budget 2020-21 forecast position.
 - (ii) The General Fund Capital Programme 2020-21 forecast position.
 - (iii) The Housing Revenue Account position.
2. That Cabinet approves the transfer of £200k of the Covid Shortfall Reserve to the Equalisation Reserve (see paragraph 3.4).
3. That Cabinet agrees to the updated General Fund capital programme as set out in Section 4 and Annex 1 to this report.

Corporate Implications

Financial and Value for Money

The financial implications have been reflected within the body of the report. Covid-19 has continued to affect all of local government.

The news of an additional £1.1m of Government Covid funding is welcome and will potentially enable the council to revisit the use of reserves previously agreed by Cabinet and Council. This additional funding, as well as the possible funding for leisure services and fees and charges income loss, will be considered in a future report.

In lieu of that, this report includes the recommendation to transfer £200k into the Equalisation Reserve to mitigate the potential impact of Covid on the council's ability to collect Council Tax and Business Rates. The budget strategy report elsewhere on this agenda is predicated on the approval of this recommendation.

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.

Equality 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, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no direct equality implications arising from this report, however the delivery and implementation of and budgetary changes will consider this as part of the budget setting process and be reported to members in due course.

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

This report relates to the following corporate priorities: -

- *Growth*
- *Environment*
- *Communities*

1.0 General Fund – Revenue Forecast 2020-21

- 1.1 The 2020-21 General Fund budget of £17.068m was agreed at the Council meeting on 6 February 2020. It incorporated £730k of savings proposals to bridge the funding gap.
- 1.2 As previously reported, the council continues to face unprecedented challenges this year as a result of COVID-19. Managers have been estimating the financial impact of the restrictions and initiatives that have been implemented in response to the COVID-19 pandemic. Monthly Government returns, based on managers' projections, have captured the estimated impact on revenue budgets. Government support will be essential to delivering a balanced position for this council. Any residual cost will rely

on reserves for remedy, but the council's reserves were already comparatively low before Covid-19, so this places the council at further financial risk.

- 1.3 Table 1 below summarises the current projected General Fund spending position based on actuals to the end of September, and forecasts from budget holders. Paragraphs 2.1 - 2.4 explain variances between the budget and forecasts, including the projected cost of Covid-19.

Table 1 - General Fund - Forecast against Budget 2020-21

Function	2020-21 Budget £'000	2020-21 Forecast £'000	2020-21 Variance £'000	
Chief Executive	399	399	0	
Deputy Chief Executive and s151 Officer	7,664	9,824	2,160	See paragraph 2.1
Corporate Governance	1,315	2,365	1,050	See paragraph 2.2
Operations and Commercialisation	5,140	6,944	1,804	See paragraph 2.3
Other Fees and Charges	-	221	221	See paragraph 2.4
Corporate Budgets	2,550	2,550	0	
Total Net Expenditure	17,068	22,303	5,235	

2.0 General Fund detail by Directorate/Department:

Deputy Chief Executive and s151 Officer

2.1 A potential overspend of **£2,160k** is currently forecast:

- (i) **Housing Needs £265k-** Following the introduction of The Homelessness Reduction Act, the council invested in new homelessness prevention services, which has had the impact of reducing the use and the cost of temporary accommodation. Additionally, Covid costs associated with rough sleeping are estimated to be £112k.

The service is currently forecast to overspend by £153k, after consideration of additional grant funding that has been provided.

- (ii) **Communications and Digital £20k** - Additional cost of communication to residents and support and development of the 'remote TOM' website necessary in light of COVID-19 of £20k.
- (iii) **Planning fee income £100k** - although income is holding up at the moment, Covid-19 is estimated to lead to a £100k shortfall for the year.

- (iv) **Council Tax income £1m** - The wider economic impact of Covid is expected to lead to increasing levels of debt, as furloughing ends and unemployment rises. This is anticipated to lead to non-payment of Council Tax due, plus an increase in the cost of Council Tax Support, leading to a total loss of £1m.
- (v) **Business Rates income £600k** - The wider economic impact of Covid is expected to lead to an increase in business failures and an increase in non-payment of Business Rates due, estimated at £600k.
- (vi) **Internal borrowing cost £175k** - Internal borrowing had been planned, and formed part of the 2020-21 budget, which would have saved £175k in interest. In order to protect the council's cash position, this was no longer possible.

Director of Corporate Governance

2.2 An overspend of **£1,050k** is currently forecast:

- (i) **Property income £258k** - To address previous years' budget shortfalls, 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 likely to be impacted by COVID-19, resulting in fewer disposals, slower review of rentals and less new take up. Current projections assume a loss of income of £258k against budget.
- (ii) **Building control £249k** - This is in the main due to forecast income being below budget, primarily as a result of COVID-19.
- (iii) **Legal Services £137k** - £161k relates to deficits for Land Charges that were being managed, however, reduced income as a result of COVID-19 has undermined this work, this is offset in part by vacancy savings and other minor changes (£24k).
- (iv) **Facilities Management £96k** - This is as a result of additional PPE pertaining to COVID £60k as well as an adverse position of £56k resulting from vacant units at the Kent Innovation Centre (KIC) and a reduction in income for Dickens House, both being the impact of COVID-19, adverse impact on service charges £57k offset by savings associated with leasing costs (£77k).
- (v) **Dreamland car park £150k** - as with other car parks, income loss of £150k is forecast for the year.
- (vi) **Your Leisure £160k** - The council's leisure trust, Your Leisure, is facing a substantial shortfall in its income and is struggling, as are all leisure trusts. The council has paid its management fee for the year up front, and has paid an additional £160k related to a previously agreed saving in the management fee that will not be achieved. Ongoing discussions are taking place with Your Leisure which could lead to further demands on the council's finances.

Director of Operations and Commercialisation

2.3 An overspend of **£1,804k** is currently forecast:

- (i) **Domestic Waste Collection £289k** - A £205k overspend as a result of COVID-19 including an increased need for agency staff to ensure service delivery, combined with a £62k income shortfall resulting from KCC reducing

its enabling payment to facilitate the recycling and waste service, plus additional costs of £22k for additional vehicle hire whilst clearing a backlog of MOT tests.

- (ii) **Clinical Waste £20k** - Forecast net income for clinical waste will not be achieved this year due to COVID-19.
- (iii) **Toilets £55k** - Additional costs of toilet cleaning and security of £55k.
- (iv) **Coastal Development £52k** - Income target for this service area may not be achieved. Work will be undertaken within the service to try to find compensating savings, however it is unlikely that the shortfall in income will be balanced by savings this year due to other pressures.
- (v) **Licensing Income £74k** - £109k of the income target is unlikely to be met due to the impact of COVID-19 on customer demand for the service, however savings of £35k have been identified to help manage this impact.
- (vi) **Safer Neighbourhoods £112k** - the cost of establishing community network/ community team, possible enforcement changes and public health.
- (vii) **Parking £805k**- Income is down compared to budget, this could see an impact of £385k as a result of COVID-19 and an additional £420k adverse impact on On-Street parking.
- (viii) **Maritime and Technical Services £397k** - Income is projected to be down compared to budget, this could see an impact of £150k within Port operations as well as £247k within the Harbours as a result of COVID.

2.4 There is an estimated income shortfall in other fees and charges not listed above of £221k. This has been arrived at by assuming one month's loss of income across all fees and charges income not specified above. This, as well as all fees and charges income will be subject to further detailed work over the next few months, to refine the forecasts.

3.0 Size of the gap

3.1 The previous report to Cabinet suggested the overall projected shortfall amounted to **£3m**, comprising £5.6m losses less Government funding of £2.6m. It was then agreed that this will need to be funded from reserves.

3.2 The difficulty with removing £3m of reserves is that it will cancel projects and expose the council to financial risk. If the Government's funding package then exceeds expectations, and/or our estimates of expenditure/income loss turn out to be too pessimistic, we may be able to bring a further report to members to adjust reserves accordingly.

3.3 Further government support for local authorities has now been announced. The key features of this latest tranche of funding are:

- An additional £1.15m grant for expenditure pressures in 2020-21.
- An additional £100m will be introduced to support Local Authority Leisure Centres and early informal indications are set out below, but we await formal guidance:

- The scheme is aimed at outsourced leisure provision, in-house provision is assumed to have benefited from the existing income relief fund.
- Funding applications will be submitted by the local authority with joint sign off with the leisure service provider.
- Funding is to support recovery going forward, retrospective funding deficits will not be funded.
- Applications must demonstrate a commitment to sustaining the recovery i.e. measures to keep facilities open indefinitely.
- Applications must demonstrate support is being provided for groups most in need.
- The earliest time period anticipated for the scheme to be fully mobilised is circa four weeks.

3.4 Some £1.6m of the £3m reserves identified to fund the estimated net overspend was found from the Equalisation Reserve, which accommodates fluctuations in Council Tax and Business Rates. As part of the budget strategy for next year, some £200k has been identified as required to ease the pressure on this reserve, given the challenges of collecting Council Tax and Business Rates next year. This would have the effect of using some of the Covid Shortfall reserve, which has benefited from the additional £1.1m of Government funding, to contribute to these losses by reducing the use of the Equalisation Reserve to £1.4m.

4.0 General Fund Capital Programme – Forecast 2020-21

4.1 The council's 2020-21 revised General Fund capital programme of £21.570m (£21.443m as per annex 1 + £0.127m flexible use of capital receipts) is expected to be underspent by £11.027m.

4.2 **Annex 1** shows that £6.116m has been currently committed against this year's budget. It also shows the following key changes to the revised programme:

- The £1m Housing Company project is removed.
- The residual budget for Housing Assistance Policy (Winter Warmth Grants) has been consolidated into the budget for Housing Assistance Policy (additional support for home owners and private sector landlords).
- £100k is transferred from the IT Infrastructure budget to Digitally Enabled Services (subject to the updated Flexible Use of Capital Receipts Policy being approved by council).
- The Port of Ramsgate Fuel Barge Access project has been moved from Capital to Revenue and the £25k budget transferred to the Update of Amenity Blocks (£15k) and Ramsgate Harbour Self Storage Containers (£10k).
- The budget for Manston and Dane Park Depot Improvements has been increased by £13k from grant funding.
- The element of the Ramsgate Port Berth 2/3 & 4/5 Replacement project to be funded from capital receipts (£1.168m) is now to be funded from borrowing, and vice versa for the Vehicle & Equipment Replacement Programme.
- Mooring Spine Improvements (the upgrade of components and lighting to facilitate continued use of berths at Ramsgate Port & Harbour) is an additional capital project with a £75k budget (funded from the Repairs Reserve).
- The budgets of Sea Wall Work projects Westbrook to St Mildred's and Viking Bay to Dumpton Gap have been reduced by £150k and £550k respectively (both projects grant funded).

- The budget for Ramsgate Flood and Coast Protection Scheme has been increased by £54k (£100k from revenue less £46k grant adjustment).

4.3 At this stage no changes are required to the capital programme to reflect the impact of COVID-19.

5.0 HRA

5.1 With the recent transfer back in house of East Kent Housing, it is too early to undertake worthwhile monitoring, as a result this will be deferred until the next monitoring report is produced.

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Annex List

Annex 1 GF Capital Programme 30 September 2020-21

Background Papers

Budget monitoring papers held in Financial Services

Corporate Consultation

Finance: *N/A*

Legal: Tim Howes Corporate Director of Governance