

Budget Monitoring Report No.1, 2021-22

Cabinet	29 July 2021
Report Author	Tim Willis, Deputy Chief Executive and s151 Officer
Portfolio Holder	Cllr David Saunders, Portfolio Holder for Finance
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Ward:	All Wards

Executive Summary:

This report provides the first 2021-22 budget monitoring report for General Fund revenue and capital, reflecting the latest forecasts in light of Covid-19 (hereafter referred to as "Covid") as well as the Housing Revenue Account.

Recommendation(s):

1. That Cabinet notes the following:
 - (i) The General Fund revenue budget 2021-22 forecast position.
 - (ii) The General Fund Capital Programme 2021-22 forecast position.
 - (iii) The Housing Revenue Account position.
2. That Cabinet agrees the recommendation for funding the budget gap as at 5.2 to this report
3. That Cabinet agrees to the change in HRA funding as set out in 7.2 of this report.
4. That Cabinet agrees to the updated General Fund capital programme as set out in Section 6 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 has continued to affect all of local government, Thanet's reserves remain relatively low even before Covid-19. Monies were aside in reserves last year with the specific purpose of addressing Covid and additional Government support is anticipated this year. If spend exceeds these allocations difficult decisions will need to be made to identify reserves to bridge this gap.

The Section 151 Officer needs to be confident that the impact of Covid-19 and the impact of drawing upon reserves does not leave the council exposed to too high a risk of financial failure. He also needs to be confident that the council will agree a budget for 2022-23 and Medium Term Financial Strategy for 2022-26 that replenishes reserves, which will also

involve difficult decisions. Members need to make the decisions in this report, in order to provide sufficient confidence to the Section 151 Officer.

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 2021-22

1.1 The 2021-22 General Fund budget of £17.165m was agreed at the Council meeting on 11 February 2021. It incorporated £840k of savings proposals to bridge the funding gap (progress against these savings is identified at 3.0 below).

1.2 It is too early in the monitoring process to forecast with any degree of certainty what the outturn position will be, as a result, the vast majority of information pertaining to overspends centres around Covid and what we know the impact to have been last year.

- 1.3 As was the case last year and continuing this, the council continues to face challenges as a result of Covid. Managers continue to estimate the financial impact of the restrictions and initiatives that have been implemented in response to the Covid pandemic. Monthly Government returns, based on managers' projections, will capture 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, so this places the council at further financial risk.
- 1.4 Table 1 below summarises the current projected General Fund spending position based on actuals to the end of May, and forecasts from budget holders. Paragraphs 2.1 - 2.4 explain variances between the budget and forecasts, including the projected cost of Covid.

Table 1 - General Fund - Forecast against Budget 2021-22

Function	2021-22 Budget £'000	2021-22 Forecast £'000	2021-22 Variance £'000	Paragraph
Chief Executive	437	437	0	n/a
Deputy Chief Executive and s151 Officer	6,550	7,013	+463	See paragraph 2.1
Corporate Governance	1,356	1,949	+593	See paragraph 2.2
Communities	5,091	6,031	+940	See paragraph 2.3
Other Fees and Charges	-	60	+60	See paragraph 2.4
Corporate Budgets	3,731	3,776	+45	See paragraph 2.4
Total Net Expenditure	17,165	19,266	2,101	

Note: + overspends or underachievement of income, - underspends or surplus income

2.0 General Fund detail by Directorate/Department:

Deputy Chief Executive and s151 Officer

2.1 A potential overspend of **+£463k** is currently forecast:

(i) **Housing Needs +£444k**

Forecast additional costs of accommodation for vulnerable homeless and rough sleepers +£444k due to the ongoing impact of Covid. It is worth noting that, as shown at Table 2, there are a number of savings that have already been delivered in this area and the +£444k pressure is the net position after taking these savings into consideration.

(ii) **Administering Business Rates, Council Tax & Benefits £0k**

There are expected to be increased staffing costs to administer covid support schemes including; hardship fund, business grants and BR reliefs. Also cost of DWP Increases (Housing Benefit) and Universal Credit impact on Council Tax Support recalculations. These are all expected to total +£80k, but should be covered by additional New Burdens funding from central government.

(iii) **Finance & Procurement +£19k**

An additional interim member of staff has been employed to ensure the efficient administration of Covid costs and funding.

Director of Corporate Governance

2.2 An overspend of **+£433k** is currently forecast:

(i) **Property income +£191k**

To address ongoing 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 has been significantly impacted by Covid, resulting in fewer disposals, slower review of rentals and less new take-up. Current projections assume a loss of income of +£191k against budget.

(ii) **Building control +£84k**

This is in the main due to forecast income being below budget, primarily as a result of Covid.

(iii) **Land Charges +£47k**

This relates to deficits for income earned from local land charge searches. The service management has undertaken action to address ongoing structural budget shortfalls, however, reduced income as a result of Covid has undermined this work.

(iv) **Facilities Management +£76k**

Covid has resulted in a +£39k reduction in rental income and service charges at the Kent Innovation Centre and Dickens House, there has also been +£47k of additional lost rental income due to the CCG vacating Cecil Street offices. This is offset by minor savings within staffing and supplies and services costs of -£10k.

(v) **Elections +£29k**

This represents the additional cost of running Covid compliant TDC elections.

(vi) **Committee Services +£6k**

To facilitate Covid compliant public meetings it has been necessary to hire venues with sufficient capacity to allow for social distancing.

Director of Communities

2.3 An overspend of **+£940k** is currently forecast:

(i) **Parking +£160k**

Parking income was significantly affected as a result of social and economic restrictions implemented to address the Covid pandemic in 2020-21. It is expected that this will continue to be the case this year although not at the same levels. Income is forecast to be +£160k below budget at year-end within the council's off-street car parks.

An additional +£140k adverse impact is forecast from on-street parking. However, this deficit can be met from the earmarked reserve associated with this activity.

(ii) **Domestic Waste Collection +£370k**

A +£370k overspend as a result of Covid primarily due to the increased need for agency staff to ensure service delivery and the requirement for two additional rounds to cope with the increased levels of waste associated with the amount of people now working from home and the associated increase in waste that is generated.

(iii) **Maritime and Technical Services +£280k**

Income is projected to be down compared to budget, this is represented by a +£210k shortfall within Port operations due to restricted opportunities as well as +£70k within the Harbours where visitors, both domestic and foreign continue to be down as a result of Covid.

(iv) **Clinical Waste +£20k**

Due to competing demands and pressures on the service area, it is anticipated the establishment of a clinical waste service will be deferred for another year and as such the forecast net income is unlikely to be achieved.

(v) **Toilets £0k**

Provision of additional toilets coupled with the earlier opening for the summer season to help mitigate the impact of increased visitor numbers due to the Covid effect +£66k. This was necessary due to public behaviour experienced following the relaxation of the lockdown and is expected to be covered from our Contain Outbreak Management Fund allocation.

(vi) **Coastal Development +£30k**

Additional costs associated with improved signage and lifeguard services to help manage the increased visitor numbers generated by the Covid effect.

(vi) **Licensing Income +£80k**

£80k of the income target is unlikely to be met due to the impact of Covid on customer demand for the service.

2.4 Other and Corporate

- (i) Included within corporate budgets are such items as:
- East Kent Shared Services and their central charge,
 - HRA recharges i.e. service costs that are recharged to the HRA but which are held centrally for monitoring purposes,
 - Capital charges including recharges for staff time,
 - External funding and
 - The 2020-21 assumed collection fund deficit that hits 2021-22.
- (ii) There is an estimated income shortfall in other fees and charges not listed above of +£60k. This will continue to be monitored during the remainder of the year, to refine the forecasts.
- (iii) There are additional costs associated with staff working from home that the authority has a responsibility to contribute to, as a result of this there are +£45k worth of new costs associated with Covid.
- (iv) **Council Tax income £0k**

The ongoing economic impact of Covid will continue 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 +£267k. Although this year's Council Tax losses are accounted for over the next three financial years, and there is additional Government funding for tax losses announced as part of the 2021-22 financial settlement, the +£267k estimate represents assumed losses against this year's bills and this is expected to be covered through the equalisation reserve.

(v) **Business Rates income £0k**

The ongoing economic impact of Covid and the tailing-off of rate reliefs is expected to lead to further increase in business failures and an increase in non-payment of Business Rates due, estimated at +£400k and this is expected to be covered through the equalisation reserve.

3.0 Savings proposals 2021-22 progress

Table 2 below shows the progress on the delivery of the savings agreed as part of the 2021-22 budget setting process. It can be seen that the majority of these savings have already been delivered at the end of the first quarter of the financial year. It should be noted that the delivery of some of these savings have offset or partially mitigated projected service overspends as explained in section 2.

Table 2

Service Area	Agreed Savings	£000	Delivered Y/N
Finance & Procurement	Reprocurement of Merchant Acquiring service for card payments	30	Y*

Finance & Procurement	Reduction in bad debt annual provision	38	Y
Finance & Procurement	Income and Payments Team 0.5 post	12	Y
Finance & Procurement	Phased Finance & Procurement staffing structure change in anticipation of retirements	21	Y*
Finance & Procurement	Reduced interest rate reduces borrowing costs	52	Y
Finance & Procurement	Review of historic recurring underspending budgets	18	Y
Finance & Procurement	Corporate training	10	Y
Finance & Procurement	Other small finance savings	19	Y
Communications & Digital	Savings from digital strategy	14	Y
Housing & Planning	Reduction in B&B as a result of reduced homelessness	84	Y*
Housing & Planning	Switch core budget funding to Better Care Fund	93	Y
Housing & Planning	Switch core budget funding to be funded from enforcement/selective licensing	20	Y
Housing & Planning	Reduction in the homelessness service budget by currently uncommitted element	36	Y*
Housing & Planning	Other Housing & Planning savings	12	Y
Maritime	Maritime Operations/Technical Services staff saving	34	Y
Maritime	Coastal maintenance	25	Y
Maritime	Other Maritime savings	28	Y
Operational	Coastal Development and Tourism staff saving	19	Y
Operational	Other Operational Services savings	18	Y
Enforcement & Neighbourhoods	Sports and Leisure provision for council contributions to external funding	12	Y
Enforcement & Neighbourhoods	Neighbourhood Services staff savings	80	Y
Enforcement & Neighbourhoods	Other Enforcement & Neighbourhoods savings	20	Y
Property & Asset Management	Facilities management printing, postage, other savings	62	Y
Property & Asset Management	Capital Development/Building Control staff saving	59	Y
Chief Executive	Chief Executive savings	24	Y

	Total	840	
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- 3.1 Although all budgets have been adjusted downwards to reflect the budget savings, the actions required to fully realise asterisked * items are not yet completed. It is anticipated that the savings will be achieved. However, it should be noted that the two savings in housing, related to B&B and homelessness, are projected to be offset by an overspend as a result of newly-arising homelessness demands due to Covid (see 2.1(i)).

4.0 Government Support

- 4.1 The government continues to provide emergency funding nationally in 2021-22, to support local authorities' response to and impact of the pandemic. The Council has been notified of an award of additional emergency funding of £1.0m for 2021-22 and this was considered in the budget setting presented to Members in February 2021.
- 4.2 In addition the Council has submitted returns requesting support through the Sales, Fees and Charges compensation scheme, where authorities are compensated for 75% of their losses after meeting a 5% top slice. Funding from this scheme for 2021-22 will be clearer after our next monitoring report.
- 4.3 Funding was also announced to compensate local authorities for losses in council tax and business rates.
- 4.4 All of the above funding pots are either spent or committed. A breakdown of spending will be provided to members in a future report.

5.0 Size of the gap

- 5.1 Although this is an early monitoring report, current forecasts show a potential overspend primarily due to ongoing Covid pressures of just under +£2.1m.
- 5.2 Currently it is anticipated that there will be £1m remaining in the Covid reserve as at the end of 2020-21 based on provisional outturn and it is proposed that this, along with the £1m forecast additional emergency funding, and anything received through Sales Fees and Charges compensation will fund this gap, if it materialises.
- 5.3 Any shortfall in funding will require action to be taken to bridge the gap, this could be a further review of reserves, a moratorium on spending or even in-year targeted savings.
- 5.4 Although the forecast overspend is a matter for concern, it is almost all due to Covid and most of the overspend is not anticipated to recur, once restrictions are fully lifted.

6.0 General Fund Capital Programme – Forecast 2021-22

- 6.1 The council's 2021-22 revised General Fund capital programme of £21.297m (£21.131m as per annex 1 + £0.166m flexible use of capital receipts) is expected to be underspent by -£4.68m. This underspend includes the following relatively large projects which are not expected to incur any capital spend by 31 March 2022:

- **Public Toilet Refurbishment -£0.750m:** Expenditure on this programme is predicated on the receipt of existing toilets across the district. There has been

no disposals (and hence capital receipts) and therefore no spending against the scheme.

- **Office Accommodation** - £3.000m: Accommodation requirements are still under review given scope for flexible working as highlighted by Covid.
- **Westbrook to St Mildred's Sea Wall Work** -£0.450m: Externally funded project dependent on cost-benefit analysis, then grant allocation and timing.

6.2 **Annex 1** shows that £4.588m has been committed against this year's budget. It also shows the following changes that were recently approved by Members:

- **Kent Innovation Centre:** £1.100m budget has been added for the decarbonisation of Kent Innovation Centre, which is externally funded.
- **High Street Heritage Action Zone:** £150k budget has been added for a High Street Heritage Action Zone grant, which is externally funded.

It is proposed that the following changes to the capital programme be approved by members, as per recommendation 4 to this report.

- **CCTV and street lighting:** It is proposed that a £240k budget be added for CCTV and street lighting, which is wholly externally funded.
- **Stone Bay Sea Wall Work:** It is requested that the £450k budget is slipped forward and re-profiled to 2023-24.
- **Ellington Park:** £84k budget be added for Ellington Park, which is externally funded, and represents transferring existing agreed funding from revenue to capital.
- **Covid Budget:** A £29k budget be added for Covid Response, which is externally funded.

It is proposed that Cabinet note the overspend position in relation to Berth 4/5, for which there is a separate report on this agenda, the underspend at 6.1 above has been amended accordingly.

6.3 At this stage no changes are required to the capital programme to reflect the impact of Covid, apart from the new Covid response budget referred to above.

7.0 Housing Revenue Account (HRA)

7.1 The HRA is currently forecast to spend in-line with its proposed revised budget, which is a net deficit of £2.221m in 2021-22.

7.2 Five tower blocks are currently awaiting external wall insulation to be replaced with a fully non-combustible system. Following review of the fire break surveys by Kent Fire and Rescue, the advice is that a temporary simultaneous evacuation strategy is adopted until the wall insulation is removed, replacing the existing stay-put arrangements. The advice also recommends that we deploy a waking watch service at these blocks during this period until fire alarm sounders are installed in each flat. However this additional provision comes at a cost of **£897k** for 2021-22. It is recommended that a budget adjustments be approved to facilitate this programme of work.

7.3 The External Decorations contract was not let in 2020-21 resulting in a **£165k** underspend. This underspend was put in reserves at the end of 2020-21 and is now requested that an additional budget be approved in 2021-22 for the scheme, to be funded from the drawn down from reserves.

- 7.4 In 2020-21 the main driver for the overspend on repairs and maintenance was the lack of a robust planned maintenance programme by East Kent Housing, this pressure remains although it's too early in the financial year to assess the 2021-22 impact.
- 7.5 The budget for completing the transition from EKH to the in-house service was underspent by **£13.6k** in 2020-21. This underspend was put in reserves at the end of 2020-21 and is now requested to be drawn down from reserves and added to the 2021-22 budget.
- 7.6 Table 2 provides a summary of the projected spending position on the Housing Revenue Account compared to the original and revised budgets.

Table 2 - HRA – Forecast against Budget 2021-22

	2021-22 Budget	Move- ment Qtr 1	2021-22 Revised Budget	2021-22 Projected Forecast	2021-22 Variance
	£'000	£'000	£'000	£'000	£'000
Income:					
Dwelling Rents	(13,346)		(13,346)	(13,346)	-
Non-dwelling Rents	(227)		(227)	(227)	-
Charges for services and facilities	(540)		(540)	(540)	-
Contributions towards expenditure	(397)		(397)	(397)	-
TOTAL INCOME	(14,510)	-	(14,510)	(14,510)	-
Expenditure					
Repairs & Maintenance	4,160	165	4,325	4,325	-
Supervision & Management	4,884	911	5,795	5,795	-
Depreciation & Impairments	4,310		4,310	4,310	-
Allowance for bad or doubtful debts	233		233	233	-
Contribution to Capital	300		300	300	-
Non-service specific expenditure	259		259	259	-
Debt Management Costs	9		9	9	-
TOTAL EXPENDITURE	14,155	1,076	15,231	15,231	-
Other Adjustments:					
Share of Members and Democratic Core	148		148	148	-
HRA Investment Income	(15)		(15)	(15)	-
Debt Interest Charges	888		888	888	-
Government Grants and Contributions	0		0	0	-
Adjustments, accounting /funding basis	479	(179)	300	300	-
Deficit/ (Surplus) for HRA Services	1,145	897	2,042	2,042	-

8.0 Housing Revenue Account Capital Programme – Forecast 2021-22

8.1 The council's 2021-22 HRA capital programme has been reviewed now that the in-house team has become established, and revised to £7.838m. This review has led to a number of capital schemes being re-profiled over the next 5 years in line with their expected delivery and this is reflected in **Annexes 2 and 3**.

8.2 The Capital Programme is expected to spend in line with the revised budget.

8.3 The key revisions to the HRA Capital Programme are:

- Additional monies added for fire precaution works, thermal insulation and CCTV to reflect the revised programme of works.
- Tower block works has been re-profiled to match the forecast schedule of works
- A re-profiling of the lift refurbishment programme to match the let contract timeline
- £1m has been slipped in relation to the Margate Intervention Programme to undertake works following potential acquisition in this year's programme.
- Allocating the underspends from Phases 1 and 2 to offset Phase 3 new build forecast costs.
- Phase 4 of the new build programme has been re-profiled
- The acquisitions programme has been re-profiled to allow for one unit of acquisition in each financial year.

8.8 **Annex 2** shows the revised 2021-22 Capital Programme and **Annex 3** shows the revised 5 year programme.

Contact Officer: *Chris Blundell*

Reporting to: *Tim Willis, Deputy Chief Executive and Section 151 Officer*

Annex List

Annex 1 GF Capital Programme to 30 June 2021

Annex 2 HRA Capital Programme

Annex 3 5 Year Revised HRA Capital Programme

Background Papers

Budget monitoring papers held in Financial Services

Corporate Consultation

Finance: *N/A*

Legal: Estelle Culligan, Deputy Monitoring Officer