

2020-21 Provisional Outturn

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 Cabinet with a view on the 2020-21 provisional outturn for General Fund revenue and capital, as well as the Housing Revenue Account. As indicated, these figures are provisional and therefore subject to possible change as part of the year-end accounts closure process. Recharges and other year end adjustments have been excluded to allow a like for like comparison with the last budget monitoring report, Monitor No. 3, taken to Cabinet on 14 January 21.

Recommendation(s):

1. That Cabinet notes the following:
 - (i) The provisional outturn position for the General Fund.
 - (ii) The provisional outturn position for General Fund Capital.
 - (iii) The provisional outturn position for the Housing Revenue Account.
 - (iv) The provisional outturn position for Housing Revenue Account Capital
2. That Cabinet agrees the following:
 - (i) That Cabinet agrees the reserve movements as identified at section 5 table 3 to this report.
 - (ii) That Cabinet agrees the slippage in the General Fund Capital Programme as identified in section 6 to this report.
 - (iii) That Cabinet agrees the slippage in HRA budgets as identified in section 6/7 to this report.

Corporate Implications

Financial and Value for Money

The financial implications have been reflected within the body of the report. Covid has had a massive effect on all of local government, Thanet's reserves remain relatively low even after considering the impact of Covid-19 emergency grant funds, sales fees and charges compensation and S31 grants pertaining to business rates. The S31 monies specifically relate to the deferred impact of covid on business rates and will be required in full in 21/22.

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. 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 – Provisional Outturn 2020-21

1.1 The General Fund covers all income and expenditure included in the day-to-day running of the council's services. The budget monitoring report for quarter 3 reported a net overspend of approximately £1.7m. Table 1 below summarises the current projected General Fund outturn position, it does not include corporate recharges and other technical accounting adjustments. It should be noted that the figures are still provisional - the draft accounts will not be complete until August.

Table 1: 2020-21 Provisional Outturn

Function	Revised Budget £'000	Actual £'000	Variance £'000	Paragraph
Chief Executive	399	399	-	n/a
Deputy Chief Executive and s151 Officer	7,664	8,607	+943	See Para 2.1
Corporate Governance	1,315	2,756	+1,441	See Para 2.2
Communities	5,140	6,716	+1,576	See Para 2.3
Other Fees and Charges	-	-	-	See Para 2.4
Total Service Expenditure	14,518	18,478	+3,960	
Corporate Budgets	2,550	2,205	-345	See Para 2.4
Net Revenue Expenditure	17,068	20,683	+3,615	See Para 3 (ii)

Positive variances (+): *overspends or underachievement of income*
Negative variances(-): *underspends or surplus income*

2.0 General Fund provisional outturn

Deputy Chief Executive and s151 Officer

2.1 A provisional outturn figure of +£943k overspend.

(i) **Housing Services -£15k**

Additional pressures were placed on the service to place vulnerable homeless and rough sleepers in temporary accommodation (TA) throughout the pandemic. This resulted in an overspend of +£453k that was partially funded by grant allocations of Next Steps -£96k and Containment Outbreak Management Fund -£105k, leaving a net +£252k overspend to be funded by the Council.

These additional costs have been partially mitigated as the service has implemented process improvements to increase the proportion of TA costs that can be recovered

through Housing Benefit (HB), resulting in -£185k of additional HB that can be claimed against these costs .

The service overspend has been offset by reduced costs, primarily staff savings due to vacancies in Strategic Housing of -£50k, a -£30k surplus on selective licensing used to contribute to service overheads, as well as other minor variances across the service.

(ii) **Housing Benefit +£250k**

The Council processed £41.086m of Housing Benefit (HB) payments that mainly were funded by £40.804m of HB subsidy payments from central government, leaving a net cost to the council of £281k. This position was a +£250k overspend compared to budget.

Due to the scale and the nature of the transactions the accounting for HB is complex and volatile and as such difficult to forecast from a financial planning perspective, consequently it is not possible to isolate all individual factors that contributed to this overspend, but it is expected that Covid will have had an impact. This overspend will be financed from the Council's equalisation reserve.

(iii) **Communications and Digital +£16k**

There were additional costs for communication to residents and services necessary in light of Covid, including direct mailed out leaflet distribution bus shelter advertising in support of Protect NHS.

(iv) **Planning fee income -£43k**

The expected +£100k shortfall in planning income forecasted in previous budget monitoring reports did not materialise, as income from planning applications remained stable for 2020-21. In fact, as a result of additional major applications a surplus of -£43k was realised.

(v) **Council Tax recovery + £747k**

The council typically receives and budgets for income from cost recovery from court summonses. Due to the pandemic there was no enforcement activity and therefore this income was not realised. A claim for this income shortfall has been submitted as part of the Government's Sales, Fees and Charges compensation scheme.

Income from the actual collection of council tax is accounted for within the Collection Fund and due to statutory requirements any variance does not affect the General Fund balance in the year of collection. As such, the 2020-21 shortfall due the pandemic is therefore recognised as a Collection Fund pressure and not a General Fund pressure in 2020-21. This is explained further in section 4.

(vi) **Finance & Procurement -£12k**

The Council received a -£56k New Burdens grant in recognition of the additional costs for the administration of Covid business support grant schemes. This grant has been partially used for an interim member of staff who was employed to ensure the efficient administration of Covid costs and funding. The balance of this funding has been carried forward to facilitate ongoing activities.

Director of Corporate Governance

2.2 A provisional outturn figure of +£1.441m overspend:

(i) **Property +£297k**

To address previous years' budget shortfalls, work commenced to review our property portfolio, considering the age and condition of stock, as well as market forces that are impacting rentals. However, the conclusion of this review was significantly impacted by Covid in 2020-21, resulting in fewer disposals, slower review of rentals and less new take-up. As a result, there was a loss of income of +£228k against the budget.

Other, non-Covid variances include an increased staff costs with Property of +£82k that were mainly due to redundancy costs associated with the agreed delivery of savings for the 2021-22 budget, offset by various minor variations across service -£13k.

(ii) **Building control +£191k**

This is mainly due to income being below budget, primarily as a result of the impact of Covid on delivering planned service changes.

(iii) **Land Charges +£31k**

There has been a +£62k deficit against the 2020-21 income budget for local land charge searches. The service management has undertaken action to address prior year structural budget shortfalls, however, reduced income as a result of Covid has undermined this work. This income shortfall has been offset by savings of -£19k from reduced staff costs and also a -£12k reduction in search fee costs.

(iv) **Facilities Management -£20k**

The service has recognised savings against budget on:

- equipment leasing costs -£43k,
- salaries due to vacant posts -£36k,
- utilities -£41k and
- postages -£24k

Some of the above have been factored in as permanent savings for the 2021-22 budget. These savings were offset by additional Personal Protective Equipment (PPE) costs pertaining to Covid of +£62k, as well as a +£62k loss against budget for rental income and service charges at the Kent Innovation Centre and Dickens House, also relating to Covid.

(v) **Dreamland car park +£49k**

As with other car parks, income has impacted and a loss of +£150k has been realised at year end due reduced demand because of the pandemic, this has been offset by savings totally -£101k from reduced repairs and maintenance costs and a staff vacancy.

(vi) **External Legal Costs +£733k**

As reported to Cabinet in June, costs in 2020-21 relating to external legal advice incurred on disciplinary matters is +£121k. It is also necessary to create a provision

in this year's accounts of +£612k to reflect the estimated possible costs to conclude these matters.

(vii) **Your Leisure +£160k**

The council's leisure trust, Your Leisure, has faced a substantial shortfall in its income as a result of Covid, as have all leisure trusts. The Council paid its management fee for the year up-front, and paid an additional +£160k to the trust. This additional fee is equivalent to the previously agreed 2020-21 budget saving in the management fee that was not achieved as a result of the pandemic.

Director of Communities

2.3 A provisional outturn figure of +£1.576m overspend:

(i) **Enforcement Services +£569k**

Parking income has been significantly affected as a result of the social and economic restrictions implemented to address the Covid pandemic, albeit not as badly as originally anticipated due to the easing restrictions and warm weather over the 2020 summer period.

Within the Council's off-street car parks income is down compared to budget by +£636k at year-end, this represents a pressure for the General Fund.

An additional +£66k income shortfall has been seen within on-street parking, these include lost income associated with pedestrianisation of areas in Margate and Ramsgate. However, this has been more than offset by reduced costs associated with on-street parking -£167k (any surplus on On-Street parking, regardless of size, will be managed through the reserve in line with the Road Traffic Act, as a result there is zero variance here).

Outside of parking, other savings across Enforcement include -£33k on Dog Control and -£34k from Enforcement Services staffing vacancies.

(ii) **Domestic Waste/Street Cleansing +£371k**

A +£218k overspend primarily as result of the measures put in place to ensure service delivery throughout the Covid pandemic. This includes an increased need for agency staff to cover staff sickness and self isolation, additional rounds to collect food waste to help mitigate social distancing, as well as additional daily deep cleans at Manston Road. Further to this there were costs of +£26k for additional vehicle hire whilst clearing a backlog of MOT tests.

There was also a +£43k income shortfall resulting from KCC reducing its enabling payment to facilitate the recycling and waste service. This reduction has been fully reflected in the 2021-22 budgets.

Over and above these there were other increased costs associated with net operating position relating to Trade Waste +£11k, Additional staffing costs associated with Street Cleansing +£47k and Foreshores of +£26k relating to increased agency.

(iii) **Maritime and Technical Services +£764k**

There was a +£150k income shortfall compared to budget within Port operations due to restricted opportunities result from Covid, as well as £182k within the Harbours where visitor numbers both domestic and foreign were impacted by Covid, these were offset by other minor variances of -£13k.

Over and above these costs, the need to set aside funds for the revenue impact of increased project costs on the berth 4/5 capital scheme have resulted in a budget pressure of +£445k. This is in addition to a forecast +£380k capital pressure, expected to materialise in 2021-22, resulting in a total overspend of +£825k. It is proposed to finance the revenue element of this from earmarked reserves.

(iv) **Clinical Waste +£20k**

The establishment of a clinical waste collection service was deferred, as the service prioritised resources and focused on addressing the immediate concerns and issues arising from the pandemic. As such the +£20k income target for the clinical waste service has not been achieved.

(v) **Toilets +£61k**

Additional costs of +£61k were incurred for the provision of a security contractor to support cleansing staff over summer season. This was necessary due to public behaviour experienced following the relaxation of lockdown restrictions over the summer period.

(vi) **Coastal Development +£7k**

There was a +£52k income shortfall as the budgeted income target for this service area was not achieved; this income target has been removed from the 2021-22 budget. The in-year variance was offset by a one-off -£39k reduction in foreshore costs from reduced payments to the RNLI as a result of the Covid enforced furlough, and other minor variances of -£6k.

(vi) **Licensing Income +£141k**

There has been an +£81k income shortfall against budget due to the impact of Covid on customer demand for the service. There were also one-off employment termination costs of +£60k associated with the service restructure to deliver agreed permanent savings in 2021-22 and beyond.

(vii) **Safer Neighbourhoods -£30k**

Some staffing costs were covered from the Winter Grants Scheme providing a -£30k saving, a further -£31k in staff savings were also recognised from holding vacant the Community Development Officer post. These savings were partially offset by the cost of establishing a community network/ community team in response to the Covid pandemic, which cost £31k.

(ix) **Open Spaces -£48k**

Underspends of -£57k associated with reduced staffing costs in Open Spaces, offset by +£9k of additional costs for the Heritage Lottery Funding (HLF) project at Ellington Park where delivery timeframes were impacted by Covid.

(x) **Crematorium and cemeteries -£196k**

The service has received additional income due to increased demand.

(xi) **Community Safety -£83k**

There have been savings on Sports Development of -£69k, mainly due to the enforced non-delivery of sport programmes during the peak of the national lockdown, along with the reduced cost of delivering Community Safety (£24k). These savings were partially offset by +£10k of lost income from outside events.

Corporate Budgets

2.4 A provisional outturn figure of +£345k:

- (i) Additional staff and other costs were charged to the HRA as a result of the dissolution of East Kent Housing and the transfer back in house of Tenant and Leaseholder services, this resulted in a -£95k benefit for the General Fund.
- (ii) The financing of the Capital Programme is derived from the individual schemes along with their funding sources, this then requires us to set aside funds to meet any revenue obligations associated with this. As the capital programme has slipped, this year there is a requirement to set aside the -£250k underspend in the Capital Projects reserve to meet these future obligations.
- (iii) Within earlier in-year monitoring we reported on Other Fees and Charges losses arising from Covid, for the purpose of outturn these are rolled back into the main service costs and therefore are not reported on at a corporate level.

3. Income and Reserve Transfers

Reserve movements Required to balance outturn (£3.615m)

- (i) Drawdowns from reserves are required to facilitate the additional cost associated with legal costs as identified in 2.2 (vi) above of (£612k) as well as for Project overrun costs associated with the Port as identified at 2.3 (iii) above of (£445k). It is proposed that residual reserve allocations that were provisionally set aside for Covid are used to fund these costs.
- (ii) In order to cover the net overspend at year end it is proposed that the funding will be drawn down from the various grants associated with Covid (£2.558m), any unutilised funding will remain in order to manage the ongoing volatilities associated with the pandemic.

The sources of income from which the net revenue expenditure was financed, together with transfers to and from reserves and balances are set out in the following table to give the final net budget position for the year.

Table 2: Income and Reserve Transfers

	Revised Budget £000	Actual £000	Variance £000	Comment

Net Revenue	17,068	20,683	3,615	
Expenditure				
Corporate Income				
Covid Grants	0	-3,496	-3,496	General Covid grants not included in Net Service Expenditure
Council Tax	-10,610	-10,610	-	The deficit on council tax is managed through the Collection Fund - see section 4
Business Rates	-5,910	-16,577	-10,667	see section 4
RSG, NHB and other grants	-428	-996	-568	
Collection Fund Surplus	-120	-60	60	see section 4
Sub-total	-17,068	-31,739	-14,671	
Unplanned Reserve Transfers	0	+11,056	+11,056	see section 5
Sub-total	-17,068	-20,683	-3,615	
NET POSITION	0	0	0	

Positive variances (+): *overspends, underachievement of income, or net contribution to reserves*
Negative variances(-): *underspends, surplus income or net contribution from reserves*

4. Council Tax and Business Rates

4.1 Accounting for the Collection of Council Tax and Business Rates

Local authorities have to account for the collection of council tax and business rates in a separate fund, this is called the Collection Fund (CF). The CF includes all council tax and business rate receipts and also the related payments to relevant bodies (e.g. KCC, KFR, TDC, Police and Crime Commissioner and Central Gov).

The transactions recognised in the Collection Fund Statement are those permitted by statute and reflect the full (surplus)/deficit on the fund at the end of the year. These surpluses and deficits are then credited or charged to our General Fund budget in later years, this is done to protect the council from volatility in collection from one year to the next and also to require for council's to recover any prior year deficits on collection as part of the budget setting process.

4.2 Business Rates in 2020-21

2020-21 was for obvious reasons a challenging year for the collection of council tax and business rates. When the 2020-21 budget was prepared, it was estimated that -£34.115m in business rates would be collected. However, to support businesses through the pandemic the government mandated business rate relief of +£22.143m to retail, leisure and hospitality business and nurseries, which dramatically reduced the amount of collectable business rates for the year. Adding in further collection issues due to non-payment, it meant that we only collected -£10.233m of rates last year, resulting in a total deficit of +£23.882m.

Our share of this deficit was **+£9.553m**, with the rest shared with central gov (+£11.941m) and KCC and KFR (+£2.388m). To help us meet these losses the government provided us with -£8.642m in section 31 grants to fund our deficit resulting from the mandatory business rate relief. We were also able to claim -£338k from the government Tax Income Guarantee (TIG) scheme for non-payment and defaults. This leaves a net **+£0.573m** to be financed by TDC, which is broadly comparable with +£600k forecast deficit that was forecast to Council in September 2020.

4.3 Council Tax

For Council Tax a deficit of £2.486m was recorded in the 2020-21 CF due to lower collection of council tax, of which Thanet’s share was £371k. For Council Tax we were awarded a TIG payment of -£219k, leaving a net pressure of +£152k. When combined with the +£747k loss of income from court summons for council tax, as explained in section 2.1, results in a net loss for council tax of £899k, which is again broadly comparable to the September 2020 forecast loss of £1.0m.

4.4 Timing of Deficits Charged to the General Fund

As explained in section 4.1 losses from the collection fund are not charged to the General Fund in the same year, but as part of the budget setting process for subsequent years.

Regulation passed in 2020-21 states that business rate losses because of the mandated covid reliefs must be recovered in 2021-22, but for any other council tax or business rate losses arising in 2020-21 the government is allowing these to be spread equally over 3 years (2021-22 to 2023-24) “to ease immediate pressures on budgets”.

The table below shows how these deficits will be spread over the medium term, how s31 grant and TIG funding can be utilised to mitigate them and the residual pressure left on the council’s budgets.

	TDC 2020-21 Deficit	Phasing / Spreading		
		2021-22	2022-23	2023-24
	£’000	£’000	£’000	£’000
Deficit on collection for Business Rates	9,553	9,000	354	199
Business Rates - Tax Income Guarantee	-338	-133	-131	-73

Section 31 Funding - released from reserve	-8,642	-8,642	-	-
TDC Business Rates Pressure	573	225	223	126
Deficit on collection Council Tax	371	144	114	113
Council Tax - Tax Income Guarantee	-219	-85	-67	-67
TDC Council Tax Pressure	152	59	47	46

Positive figures : deficits on collection
 Negative figures(-): surplus on collection or additional grant income

4.5 Recover of Council Tax Debts

The Courts & Tribunals Service has recently restarted debt enforcement hearings. During July 2021, the Council is undertaking the first formal Council Tax and Business Rate debt enforcement activity in over 16 months. It is anticipated that this activity will continue whilst the Court Service continues to make hearing dates available. The resumption gives the Council confidence that the levels of debts ultimately collected over a number of years, will align closely to historical levels and expectations. Particular scrutiny will be paid to identify risk of potential bad debt, particularly in Business Rates, as companies seek to recover from the pandemic.

It is therefore anticipated that some of these deficits arising from non-payment in 2020-21 may be recovered in future years.

5. Provisional reserves at 1 April 2021

Taking into account the provisional outturn figures above, reserves balances at the 2020-21 year-end are £2m unallocated and £23.554m earmarked.

This represents a £11.092m net increase during the year this is mainly due to NNDR £10.5m, which represents the timing issues associated with additional reliefs awarded due to Covid, meaning the impact is in 21-22 when this funding will then be drawn down.

There is also Council Tax Hardship Funding of £524k where again there will be a timing issue and Covid Grants including Sales Fees and Charges compensation of £3.371m of which £2.558m, will be used to fund the corporate overspend, the following table reflects all movements:

Table 3: Reserve Movements

	£'000	£'000	Rationale
Recurring Reserve Movements (Planned)			
Thanet Lottery	+9		The annual surplus on the operating of the Thanet Lottery is credited to a reserve to fund future contributions to good causes
Business Rates Growth Reserve	+298		Despite the deficit on the collection of BR in-year, the authority still collected sufficient rates to receive a payment arising from the benefits of our membership of the Kent wide

			BR pool. The terms of the pooling arrangement require that a proportion of the funds must be set aside for future growth generating projects, such as the Parkway train station
Equalisation (NNDR/HB)	+48		To smooth impact of HB and NNDR volatilities in year
Capital Projects	+357		Revenue contributions to Capital Schemes, see 2.4 above
Risk management	+21		To manage insurance risks
Council Elections	+39		Annual smoothing of budget to avoid spike associated with District Elections
Local Plan	+75		Annual smoothing of budget to avoid variable profile of spend on consultation and inspection
Training	+35		There was an underspend on the corporate training budget, so it is proposed to transfer this to the reserve to facilitate future programmes of staff and member training
IT	+48		To control and enhance the development of new Information Technology initiatives by improving efficiency throughout the Councils activities.
Total planned contributions to reserves		+930	
Repairs	-93		Annual smoothing of budget to avoid spike associated with larger one-off works
Housing Intervention	-300		To smooth the impact of increased housing costs on the 2020-21 budget included a one-off reserve contribution from external funding previously accumulated
EK Services	-13		A budgeted contribution was included in the budget to smooth pressure on the 2020-21 budget
Strategic	-13		This reserve is there to help drive the strategic objectives of the Council
Decrim	-475		This reserve holds the balance of On Street Parking income in-line with the road traffic act. £475k was drawn down to finance a programme of capital works, agreed with KCC, for investment in transport and environmental related schemes.
Total planned contributions from reserves		-894	
Net planned contributions to reserves		+36	

In year Reserve Movements (unplanned)			
MHCLG COVID grant funding	+938		Agreed as part of the 2021-22 budget strategy to be held in reserve to mitigate the on-going impact of Covid. This represents the net contribution to reserves
Maritime	+41		Annual smoothing of budget to avoid spikes and to allow investment in one off projects
Slippage	+52		Annual smoothing of budget to avoid spikes and to allow investment in one off projects
Equalisation - Section 31 Grants & TIG	+9,199		As explained in section 4, the council received £8.642m of section 3 grant to compensate it for business rate income foregone due to the covid reliefs granted to retail, hospitality & leisure businesses and nurseries. This money will be allocated to the Equalisation reserve and then drawn down in future years when the losses on the collection fund are charged to the General Fund.
Equalisation (NNDR/HB)	+1,814		To smooth impact of HB and NNDR volatilities in year, this being in the main due to extra S31 grants associated with lost NNDR driven by collection fund deficit
Homelessness	+69		To hold unspent homelessness grant and recovered rent deposit monies to be recycled for future schemes.
Provisions	-1,057		Monies set aside to meet future known obligations
Total unplanned contributions to reserves		+11,056	
Net unplanned contributions to reserves		+11,056	
Net increase in reserves		+11,092	

Positive figures (+): contributions to reserves (money added in)
Negative figures (-): contributions from reserves (money taken out)

6.0 General Fund Capital Programme –Provisional Outturn 2020-21

6.1 The council's 2020-21 revised General Fund capital programme of £26.69m as per annex 2 (excluding flexible use of capital receipts) underspent by £14.52m, which was £0.82m greater spend than estimated in the 14 January 2021 Cabinet report.

6.2 **Annex 2** shows that £12.17m cost was incurred against this year's budget. It also shows the following changes to the revised programme:

- Increase of £4.150m for Dreamland Compulsory Purchase Order related costs, which were provided for in the 2019-20 Statement of Accounts (funded from borrowing, which was subsequently redeemed from the disposal receipt).
- Removal of £147k for Dreamland Car Park Enhancement (following the Dreamland sale).
- £5k budget transfer from Pontoon Decking Improvements to Welfare Unit for Margate Cemetery.
- £99k increase to the Ramsgate Flood and Coast Protection Scheme, which is funded externally (£48k) and from the Capital Projects Reserve (£51k).
- £85k increase to Manston and Dane Park Depot Improvements for a Dane Park Welfare Unit, which is externally funded.
- £16k increase to the Vehicle & Equipment Replacement Programme, which is funded from capital receipts (vehicle sale).
- The removal of residual budgets for finished schemes: including £7k, £3k and £2k budgets for Westbrook Groyne and Sea Wall, New Air Conditioning for Server Room, and Memorials for Children's Area in Margate Cemetery respectively.

6.3 It is proposed that budgets remaining will be carried forward from 2020-21 to 2021-22.

7.0 Housing Revenue Account (HRA)

7.1 The HRA recorded a deficit of £624k in 2020-21, which represents a -£724k underspend against the budgeted deficit of £1.348m. The following narrative sets out the key variances for the HRA in 2020-21.

7.2 Income

- (i) The outturn position reflects -£56k of increased rental and service charge income due to social rents generating a surplus over budget. This surplus was primarily due to voids being -£204k lower than budgeted, although this is offset by lower income levels for affordable rents of +£115k, mainly caused by a delay in new build properties completion due to Covid.
- (ii) There has also been a -£160k higher amount of contributions from leaseholders towards major works. We were also repaid £93k by East Kent Housing for Thanet's Tenant Participation budget. This has subsequently been put in HRA reserves.

7.3 Expenditure

(i) Repairs and maintenance

There was a net overspend on R&M of a +£173k. The main driver for this overspend was the lack of a robust planned maintenance programme by East Kent Housing,

resulting in an increased demand for reactive and responsive repairs and a +£386k overspend on responsive R&M budget.

This overspend is offset by -£165k underspend on external decorations. The contract was let in October 2020 but due to surveys and the winter period no works were undertaken in 2020-21. It is proposed the underspend on this budget is carried forward to the 2021-22 maintenance budget to ensure works can be completed in-line with the contract now let.

(ii) **Supervision and Management general**

Key variations include:

- An increase in settling disrepair claims +£74k,
- An underspend on new developments -£61k, due to a vacant post in-year, and
- A reduction in the use of revenue budgets that support the development of sites and the remaining transition budget from EKH -£13.6k.

It is proposed the underspend on the transition budget be carried forward to 2021-22.

(iii) **Bad debt provision**

The budget for the provision was increased to £630k when the revised HRA budget was approved by members in the September budget report. However the impact on rent arrears caused by Covid and Universal Credit changes were not as high at year end as expected. This is also in part due to the new in-house team being more proactive in chasing outstanding arrears than was experienced in previous years.

A summary of the increase in bad debt can be seen below:

2019-20	2020-21	Change
£1,885,101.20	£2,041,630.46	£156,529.26 (+8.3%)

A detailed analysis of bad debt results in the Council setting aside funds in the provision to deal with the forecast level of write offs. The required increase in the provision is £317k, this includes a prudent additional contribution to deal with potential future bad debts created as a result of the Covid pandemic and the potential lifting of the evictions ban, which will result in further unrecoverable debt.

The amount set aside in the provision in 20-21 is -£313k less than the budget.

(iv) **Capital expenditure funded from the HRA**

An underspend of -£232k is stated as a result of a lower use of the revenue reserves/resources to finance capital expenditure, mainly due to underspends on both disabled adaptations and intervention capital schemes.

(v) **Investment Income**

A fall in interest rates saw the HRA lose investment income of +£103k against the budgeted amount.

(vi) **Debt Interest Charges**

By using our own internal cash resources to fund capital new build programmes (referred to as undertaking internal borrowing), rather than external borrowing, it realised a saving of -£339k.

(vii) **Adjustments made between accounting basis and funding basis**

Reduction in use of the New Properties Reserve to fund capital expenditure +£175k, capital borrowing principal repayments increased due to a voluntary repayment of debt +£128k

(viii) Table 2 provides a summary of the outturn position on the Housing Revenue Account alongside further virements processed since Cabinet approved the revised budget in September:

Table 2 - HRA – Provisional Outturn 2020-21

	2020-21 Sept	Virements Qtr 4	2020-21 Revised	Outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Income					
Dwelling Rents (gross)	-12,911	-10	-12,921	-13,007	-86
Non-dwelling Rents (gross)	-227		-227	-237	-10
Charges for services and facilities	-531		-531	-491	+40
Contributions towards expenditure	-386	-91	-477	-712	-235
Income Subtotal	-14,055	-101	-14,156	-14,447	-291
Expenditure					
Repairs & Maintenance	3,735	+49	3,784	3,958	+174
Supervision & Management – General*	4,190	+45	4,235	4,552	+317
Supervision & Management – Special	779	-	779	737	-42
Rents, rates, taxes and other charges	250	+7	257	210	-47
Bad or doubtful debts provision	630		630	317	-313
Depreciation/impairment of fixed assets*	4,050		4,050	11,042	+6,992
Capital Expenditure funded from HRA	1,172		1,172	940	-232
Debt Management Costs	9		9	7	-2
Expenditure Subtotal	14,815	+101	14,916	21,763	+6,847
Net Costs of Services Sub Total	760	-	760	7,316	+6,556

Share of Members/Democratic Core	148		148	117	-31
HRA Investment Income	-160		-160	-57	+103
Debt Interest Charges	997		997	658	-339
Government Grants/Contributions	-300		-300	-240	+60
Adjustments made between accounting basis and funding basis	-97		-97	-6,898	-6,801
(Surplus)/Deficit on HRA	1,348	-	1,348	896	-452

Positive variances (+): *overspends or underachievement of income*
Negative variances(-): *underspends or surplus income*

*The majority of these variances are caused by accounting entries that are reversed out within Adjustments made between accounting basis and funding basis

8.0 Housing Revenue Account Capital Programme – Provisional outturn 2020-21

- 8.1 There is an £11.2m (50.1%) underspend on the HRA Capital Programme against an approved budget of £22.3m. £7.4m relates to Council Dwelling Major works and disabled adaptations and £3.8m in relation to Council dwelling purchase/replenishment schemes.
- 8.2 There was a +£651k overspend in relation to re-roofing works as a result of EKH commissioning works that were in excess of budget. Additional resources from the Major Repairs Reserve will be required to fund this significant overspend.
- 8.3 Tower block works are significantly underspent -£5.250m in the year due to slippage as a result of a delay in finalising surveys commissioned and managed by EKH and this delay having a knock on effect on the procurement process. This scheme will be reprofiled accordingly over the next few financial years as part of a Capital Programme review.
- 8.4 The structural repairs budget includes elements for Royal Crescent and Churchfields developments, both of which are at an early stage and so significant costs have not been incurred to date, leading to an underspend -£1.134m.
- 8.5 The lift refurbishment programme commenced in 2020-21 however as the start of this scheme was delayed and as such re-profiling of the budget for this scheme is required, the underspend for 2020-21 was -£688k.
- 8.6 The Margate intervention scheme includes a significant underspend -£1.650m on new projects as a result of a lack of suitable development sites within the intervention area. Currently the team are continuing to search for appropriate sites and hope to bring forward additional redevelopment schemes within 21-22.
- 8.7 The new build programmes as presented show an underspend on Phase 1 and 2 which offsets an overspend in Phase 3. Phases 1 and 2 are now largely complete.
- 8.8 Phase 4 has an underspend -£1.266m, this is a result of a lack of suitable sites to undertake additional new build development rather than purchase. Some sites have now been identified and so a significant proportion of this budget will be spent within 21-22.

8.9 The acquisitions programme for Ramsgate has yet to commence -£728k as several units identified in this area were acquired using Phase 4 monies. Over the coming financial year it is anticipated that some units will be identified to be funded from these monies.

8.10 A full review of the Capital Programme has been undertaken in order to re-profile the budgets now the in-house team has become established. This will be reported to members as part of the quarter one budget monitoring report.

Contact Officer:	Chris Blundell, Director of Finance
Reporting to:	Tim Willis, Deputy Chief Executive and S151 Officer

Annex List

Annex 1	Provisional Reserves at 1 April 2021 and their proposed use
Annex 2	GF Capital Programme 31 May 2020-21
Annex 3	HRA Capital Programme 2020-21

Background Papers

Title	Budget monitoring papers held in Financial Services
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Corporate Consultation

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