

Draft Budget Monitoring Report No.1, 2022/23

Cabinet	13 October 2022
Report Author	Chris Blundell, Acting Deputy Chief Executive
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 2022/23 Quarter One budget monitor for General Fund revenue and capital forecasts against budget, as well as the Housing Revenue Account.

Recommendation(s):

1. That Cabinet notes the following:
 - (i) The General Fund revenue budget 2022/23 forecast position.
 - (ii) The General Fund Capital Programme 2022/23 forecast position.
 - (iii) The Housing Revenue Account position.
2. That Cabinet recommends to Council that a one-off supplementary General Fund 2022/23 revenue budget of £100,000 be approved for the creation of a fund for coastal projects; to be wholly funded from an external contribution from Southern Water.
3. That Cabinet recommends to Council that a supplementary General Fund revenue budget of £63,000 be approved for additional resources to support the delivery of regeneration schemes in the district; to be funded from a corresponding increase in the income budget for retained business rates.
4. That Cabinet recommends to Council that a supplementary General Fund revenue budget of £100,000 be approved for additional resources to support the delivery of property related services; to be funded from the Repairs Reserve.
5. That Cabinet agrees to the 2022/23 Capital Programme budget adjustments and virements, numbered 1 to 8, as set out in section 5.3 and Annex 1 to this report;
6. That Cabinet agrees to the 2022/23 HRA Capital Programme budget adjustments and virements, numbered 7.4 to 7.6.
7. That Cabinet recommends to Council for approval the 2022/23 supplementary capital budget, numbered 9 to 12, as set out in section 5.4 and Annex 1.

Corporate Implications

Financial and Value for Money

The financial implications have been reflected within the body of the report. There remain residual impacts from the Covid pandemic, however this has moved to epidemic now and therefore business as usual. Thanet's reserves remain relatively low, if spend exceeds these allocations difficult decisions will need to be made to identify reserves to bridge this gap as new funding is not anticipated at this time.

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 has 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. General Fund – Revenue Forecast 2022/23

- 1.1 The 2022/23 General Fund net revenue budget of £18.038m was agreed at the Council meeting on 10 February 2022.
- 1.2 It is too early in the monitoring process to forecast with certainty what the year-end position will be, as a result, the vast majority of information pertaining to overspends centres around legacy issues created by Covid that will no longer be funded through external means.
- 1.3 As was the case last year and continuing this, the council faces some residual challenges as a result of the lasting effects of Covid. Managers continue to estimate the financial impact of the restrictions and initiatives that have created legacy issues although these are now significantly reduced when compared to the previous two financial years. Any residual cost will rely on reserves for remedy, but it should be noted the council's reserves were already comparatively low before Covid.
- 1.4 Table 1 below summarises the current projected General Fund revenue spending position based on actuals to the end of Quarter 1 and forecasts from budget holders for the remainder of the year. Paragraphs 2.1 - 2.4 explain variances between the budget and forecasts, including legacy issues around covid.

Table 1 - General Fund - Forecast against Budget 2022/23

Function	2022/23 Budget £'000	2022/23 Forecast £'000	2022/23 Variance £'000	Paragraph
Chief Executive	505	505	0	n/a
Deputy Chief Executive and s151 Officer	7,156	8,036	+880	See paragraph 2.1
Corporate Governance	1,961	2,051	+90	See paragraph 2.2
Communities	5,410	5,998	+588	See paragraph 2.3
Corporate Budgets	3,006	3,186	+180	See paragraph 2.4
Total Net Expenditure	18,038	19,817	+1,738	

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

2. General Fund detail by Directorate/Department:

Deputy Chief Executive

- 2.1 An overspend of **+£880k** is currently forecast:

(i) **Housing Needs +£880k**

Homelessness has grown as a challenge for many local authorities over the last year, Thanet included. There are additional pressures on Housing as the gap between

supply and demand increases. The council has reviewed and is delivering its homelessness strategy action plan, is regularly monitoring the levels of homelessness and has commissioned new services to address the increasing need for support. This work will continue.

An additional £400k was into the 2022/23 budget to recognise and fund the rising costs of homelessness, therefore this forecast position is over and above that budgetary increase. Due to the nature of the service being provided it is difficult to accurately forecast both expenditure and recoveries as there are many external factors involved that impact on the number of homeless placements. In-year forecasts are based forward projections for service demand in combination with the application of prior year trend analysis on the proportion of costs that historically have been recovered from Housing Benefit.

Director of Corporate Governance

2.2 An overspend of **+£190k** is currently forecast:

(i) **Property +£100k**

To address long-standing income budget shortfalls, rent review and leasing surveyors are being recruited to undertake outstanding rent review and leasing shortfall in the current portfolio. After covering the cost of the review +£100k in 2022/23 (see recommendation 4), this project is expected to provide a net uplift in income for the service within 3 months of recruitment and from 2023/24 onwards.

(ii) **Building control +£50k**

Income is forecast to be below budget +£50k. The income target for the 2022/23 budget had been reduced by £50k in recognition of the challenges in this area, however a residual £50k deficit still remains.

(iii) **Land Charges +£40k**

This relates to deficits for income earned from local land charge searches.

(iv) **Legal and Information Governance £0k**

Due to ongoing unbudgeted market supplements and the necessity for an appointment of an Interim Head of Legal there are +£22k worth of additional costs. There is also an anticipated overspend of +£70k for external legal costs. These are offset by assumed saving on Monitoring Officer and vacant Deputy Monitoring Officer of -£92k.

Director of Communities

2.3 An overspend of **+£629k** is currently forecast:

(i) **Parking and Enforcement £0k**

Parking fee income relating to on-street parking has returned to pre covid levels and early forecasts show a potential for a -£370k surplus, however, income from parking fines associated with on-street is forecast to be +£460k below budget.

The overall deficit from on-street parking is more than offset by savings against the current salary budget of -£200k, resulting in a net surplus of £110k.

Overall this position will be managed through a corresponding £110k contribution to the earmarked reserve associated with this activity, resulting in a net zero impact on the council's General Fund balances.

Parking and enforcement activity associated with TDC owned off-street car parks is currently forecast to meet budget.

(ii) **Domestic Waste Collection +£250k**

Funding for two additional permanent collection rounds were incorporated into the 2022-23 budget. However, due to higher than historical rates of sickness absence there has been significant reliance on agency staff, both waste collection and beach cleaning, that will result in a +£100k overspend. In addition, inflationary pressures are being placed on the fuel budget, with the result being a forecast +£150k overspend based on current pricing trends.

(iii) **Maritime and Technical Services +£250k**

Income is projected £250k lower than budget expectations within Port operations. This is due to restricted opportunities, in part stemming from the global shortage of components to manufacture vehicles that had previously generated income through car importation and vehicle storage on site.

(iv) **Bulky Waste -£42k**

The council continues to see on-going growth demand for bulky waste collections and a surplus of -£42k against budget has been forecasted.

(v) **Toilets +£40k**

The council invested an additional £20k, over and above existing budget provisions, for additional public toilets throughout the peak summer period. This was necessary to meet the demand from the continued trend of increased visitor numbers to the district. Regrettably, it has once again been necessary to provide security for cleaning staff during peak season +£20k. This was necessary due to the anti-social behaviour of a minority of individuals on the district's beaches.

(vi) **Coastal Development +£40k**

There is an expected cost for additional seaweed clearance of +£40k.

(vii) **Crematorium Income +£50k**

The varying impact of covid on mortality rates has made it more difficult to forecast income for the service. Due to a variety of factors, the income within this service area is marginally down compared to the budget for the first quarter, resulting in an estimated shortfall of +£50k.

2.4 Other and Corporate +£180k is currently forecast:

(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 2021-22 assumed collection fund deficit that hits 2022-23.
- (ii) There are additional costs associated with the unprecedented increases in Electricity and Gas prices that can't be contained within existing budgets. There is possible mitigation through some corporate budgets but the current forecast overspend is +£180k.

3. Addressing Budget Variance

- 3.1 Although this is an early monitoring report, current forecasts show a potential overspend of just under +£1.8m. However, it should be noted it is typical for early budget monitoring to be pessimistic in nature and there remains a substantial proportion of the financial year remaining to address the forecast overspends.
- 3.2 The most concerning forecast budget overspends are those of a demand-led nature, where our spending or income levels are dedicated by external demand for our services (e.g. number of homeless families, or number of building control applications) and as such the potential opportunities to manage down spending pressures through conventional budgetary control measures are limited. Most notably, the forecast overspend of £880k on temporary accommodation for homelessness is a concern both for the current financial and also the setting on next year's 2023/24 budget.
- 3.3 If the forecast overspends cannot be addressed within individual service areas, it may be necessary to consider corporate wide action to address these pressures. Within the current financial year, any one-off budgetary pressures may be met or funded from further contributions from our limited earmarked reserves, however it is essential that long-term sustainable solutions are found for any permanent or structural budget pressures.

4 Supplementary Budget Requests

- 4.1 This section of the report provides additional information and context associated with the recommendations 2, 3 and 4 which request additional budget provision to be approved with the General Fund revenue budget.

4.2 Coastal Projects

The Council has received a payment of £100k from Southern Water in recognition of water quality issues experienced in the district. To date £10k of these monies have been allocated for the repair and improvement of some of the coastal shelters and further schemes are being developed. The appropriate governance arrangements for the allocation of this funding and the associated for the decision making will be reported in due course.

4.3 Use of Business Rates Growth

Annually the council has a corporate income budget of £5.9m for retained business rates. Over and above this the annual the council receives approximately £300k due to its participation in the Kent Business Rates pool; of which the money from this arrangement must be spent on activities or arrangements that contribute to the generation of further economic growth in the district. At the end of 31 March 2022 there was approximately £2.5m held in an earmarked reserve for this purpose (note

this figure is still provisional and subject to audit). Consequently, the following supplementary budget requests are presented for approval as per recommendation 3:

- Create a permanent Regeneration Project Manager position to help support the delivery of the £19.8m Ramsgate Levelling Up Fund Programme, £2.7m Future High Street Fund and other externally funded programmes. The budget required for this post (salary plus other costs) is £48K, of which £20k can be met from existing budgets, therefore an annual contribution from our growth in retained business rates of £28k is required.
- Create a Regeneration Project and Programme Administrator position with a focus on monitoring, evaluation and reporting back to central government, as well as engagement activity with the Levelling Up Scrutiny Panels, the Margate Town Deal Board and the organisations directly delivering some of the projects. It is recommended that the full cost (salaries plus other costs) of this post is funded using a £35k annual contribution from the growth in retained business rates.

Consequently, Cabinet are requested to recommend to Council that the general fund revenue budget is increased by £63k, in order to finance the addition of these two posts to the staffing establishment.

4.4 Use of Repairs Reserve

To address long-standing income budget shortfalls, rent review and leasing surveyors are being recruited, an allocation from Repairs Reserve of -£100k is required to fund this.

5. General Fund Capital Programme – Forecast 2022/23

5.1 The council's 2022-23 revised General Fund capital programme of £43.040m (£42.988m as per annex 1 + £0.052m flexible use of capital receipts) is expected to be underspent by -£10.236m.

5.2 This projected underspend includes the following relatively large projects:

- **Margate Levelling Up Fund** - £3.537m: Externally funded project dependent on grant allocation and timing.
- **Housing Assistance Policy** - £1.952m: Externally funded projects dependent on grant allocation and timing, and scheme take-up.
- **Margate Town Deal** - £1.452m: Externally funded project dependent on grant allocation and timing.
- **Ramsgate Levelling Up** - £0.812m: Externally funded project dependent on grant allocation and timing.
- **Public Toilet Refurbishment** -£0.750m: Expenditure on this programme is predicated on the achievement of capital receipts from the disposal of existing toilets across the district. There have been no such disposals (and hence capital receipts) and therefore there has been no funding available to finance spending against the scheme.
- **Office Accommodation** - £500k: Accommodation requirements are still under review given scope for flexible working as highlighted by Covid. Similarly to the Public Toilet Refurbishment scheme, the financing of the Office Accommodation project is dependent on the proceeds of asset sales from existing office accommodation.
- **Westbrook to St Mildred's Sea Wall Work** -£0.450m: Externally funded project dependent on cost-benefit analysis, then grant allocation and timing.

5.3 **Annex 1** shows that £3.276m has been committed against this year's budget as at 30 June 2022.

5.4 It is proposed that the following changes to the capital programme be approved by Cabinet, as per recommendation 5 to this report.

- 1) **Mobile Elevating Work Platform (MEWP):** Transfer £720 of the budget to the Ramsgate Port & Harbour Utilities Supply Upgrade to offset additional incidental costs.
- 2) **Covid Response:** Remove the residual capital budget of £14.4k as the scheme has now ended.
- 3) **Ramsgate Levelling Up Fund:** Reprofile £14m of the budget to 2023/24, to match the spending profile now approved by the DLUHC.
- 4) **Margate Levelling Up Fund:** Reprofile £1m of the budget to 2023/24, to match the spending profile now approved by the DLUHC.
- 5) **Walpole Coping and Sea Wall:** Reprofile the £450k budget to 2023/24 as it is not now anticipated that grant funding will be available until then.
- 6) **CCTV (previously CCTV & Street Lighting):** £90k of budget (grant funded) removed, as project now limited to CCTV.
- 7) **Office Accommodation:** Reprofile £2.5m of this budget to 2023/24 in-line with revised timeframe expectations for spend against this project.
- 8) **Ramsgate Future High Street Fund:** Reprofile £700,274 of the budget to 2023/24 to match the spending profile now approved by the DLUHC.

5.5 It is proposed that the following changes to the capital programme be recommended to Council for approval, as per recommendation 7 to this report.

- 9) **Housing Assistance Policy (additional support for home owners and private sector landlords):** Increase the budget by £129.6k, funded from recycled grant contributions. These monies are available to support home owners and private sector landlords make improvements to their properties as part of the Housing Assistance Policy. Subject to Council approval the revised budget for 2022/23 will be approximately £480k.
- 10) **Housing Assistance Policy (Disabled Facilities Grants and Better Care Fund):** Increase the budget by £257.8k, fully funded from government grant contributions.
- 11) **High Street Heritage Action Zone Grant - Ramsgate:** An increase in the scheme budget of £189.9k, funded by grants from Historic England. The funding will be primarily used for the allocation of shop front design and improvement grants in Harbour Street.
- 12) **Margate Housing Intervention - Loan Scheme:** Increase the budget by £30k, funded from housing capital receipts (scheme loan repayments).

5.6 As at 30 June 2022 there was a forecast deficit of £0.603m in capital receipts to fund the 2022/23 GF capital programme. This is in addition to the Office Accommodation project and £720k of the Public Toilet Refurbishment project, which are both assumed to be self-financing from receipts from the sale of associated assets.

6. Housing Revenue Account (HRA)

6.1 The HRA is currently forecasting a deficit against the budget of £119k. This would result in a year-end net deficit of £1.712m in 2022-23, which would be financed by drawing down from HRA balances.

6.2 **Income**

6.2.1 A deficit of rental income of £94k is forecast, as a result of eight Right-to-Buys (RTB) in the first quarter of 2022/23 and a slightly higher level of voids than budgeted. Four new units of accommodation are due to be added to the housing stock and action is being taken to reduce the level of voids.

6.3 **Expenditure**

6.3.1 **Repairs and Maintenance**

Repairs and Maintenance is forecast to overspend by £200k, due to delays in the completion of external decorations works in 2021/22. The financing of this forecast overspend will be considered once the 2021/22 year-end position has been finalised.

6.3.2 **Supervision and Management**

A forecast £175k saving is forecast as a result of lower pension costs being charged to the HRA than anticipated when EKH came back in house.

A new van was purchased for the new Housing Response Officers and a virement was processed to facilitate this purchase. The cost of the van will be recouped via the new service charge introduced for this service.

Table 2 - HRA – Forecast against Budget 2022/23

	2022/23 Budget	Move- ment	2022/23 Revised Budget	2022/23 Forecast	2022/23 Variance
	£'000	£'000	£'000	£'000	£'000
Income:					
Dwelling Rents	(14,025)		(14,025)	(13,931)	94
Non-dwelling Rents	(228)		(228)	(228)	-
Charges for services and facilities	(615)		(615)	(615)	-
Contributions towards expenditure	(572)		(572)	(572)	-
TOTAL INCOME	(15,440)	-	(15,440)	(15,346)	94
Expenditure					
Repairs & Maintenance	4,983		4,983	5,183	200
Supervision & Management	5,281	15	5,296	5,121	(175)
Depreciation & Impairments	4,310		4,310	4,310	-
Allowance for bad or doubtful debts	245		245	245	-
Contribution to Capital	1,300		1,300	1,300	-
Non-service specific expenditure	254	(11)	243	243	-
Debt Management Costs	9		9	9	-
TOTAL EXPENDITURE	16,382	4	16,386	16,411	25
Other Adjustments:					
Share of Members and Democratic Core	148		148	148	-
HRA Investment Income	(75)		(75)	(75)	-
Debt Interest Charges	989		989	989	-
Government Grants and Contributions	0		0	0	-
Adjustments, accounting /funding basis	(411)	(4)	(415)	(415)	-
Deficit/ (Surplus) for HRA Services	1,593	-	1,593	1,712	119

7. Housing Revenue Account Capital Programme – Forecast 2022/23

7.1 **Annex 2** shows the revised 2022/23 Capital Programme.

7.2 At the end of June 2022 £1.135m had been spent or committed, this represents 13.4% of the revised budget.

7.3 A full review of the 2022/23 Capital Programme has been undertaken, this has seen a number of capital schemes slipped in part or fully into 2023/24. Cabinet is recommended to approve these scheme slippages, as per recommendation 6, and further detail on these scheme adjustments is provided below.

7.4 The tower block works have been re-profiled, with the works now to be completed within 2022/23 consisting of the fire alarm works and various professional

appointments to allow the tendering of main work packages to commence in 2023/24. As a result £11.4m has been reprofiled from the 2022/23 Capital Programme.

- 7.5 The capital budgets (£1.856m) associated with the Churchfields and Royal Crescent refurbishment have also been slipped to 2023/24. The proposed work at Churchfield is subject to further consultation with tenants and the Royal Crescent works are not anticipated to commence until April 2023.
- 7.6 Finally the budget associated with Phase 4 new build has been reprofiled to reflect the forecasted costs to be incurred in 2022/23, reduction of £2.014m. Phase 4 is expected to reach RIBA (Royal Institute of British Architects) stage 4 by the end of March 2023 as such the budget is predominately for professional services working up the identified sites prior to tender and construction.

Contact Officer: *Matthew Sanham, Acting Director of Finance and Operational Services*
Reporting to: *Chris Blundell, Acting Deputy Chief Executive and Section 151 Officer*

Annex List

Annex 1 GF Capital Programme
Annex 2 HRA Capital Programme
Annex 3 GF Revenue Budget Summary

Background Papers

Budget monitoring papers held in Financial Services

Corporate Consultation

Finance: *N/A*

Legal: Sameera Khan, Interim Monitoring Officer