

Budget Monitoring Report No.2, 2022/23

Cabinet	15 December 2022
Report Author	Chris Blundell, Acting Deputy Chief Executive & Section 151 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 2022/23 Quarter Two 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 approves a £100,000 General Fund revenue budget virement to the Community Safety budget to facilitate the continued provision of showers, toilets and utilities for the traveller community currently located on land at Ramsgate Port and to fund associated legal costs, to be funded from a corresponding reduction in the corporate contingency budget;
- 3) That Cabinet recommends to Council that a supplementary General Revenue Budget of £48,000 for the appointment of two interim property surveyors be approved, to be wholly funded from an associated increase in property income streams; and
- 4) That Cabinet agrees to the 2022/23 Capital Programme budget adjustments, numbered i to ii, as set out in section 6.4 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. There remain some residual impacts from the Covid pandemic upon the Council's finances, however this

has moved to epidemic now and therefore is largely considered to be treated as business as usual.

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 At the end of September 2022 there was a forecast £1.9m overpend on General Fund revenue service budgets, largely due to the continued pressure arising within the Homelessness service alongside significant income shortfalls in a number of other services. Although we are only at the mid-year point in the monitoring process, we

are now in a position to forecast with more certainty what the outturn position is likely to be.

- 1.3 The council continues to face some residual challenges as a result of the lasting effects of Covid, most notably through the aforementioned shortfall in service income. 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.
- 1.4 Table 1 below summarises at directorate level £1.9m projected overspend on General Fund revenue services based on actuals to the end of Quarter 2 and forecasts from budget holders for the remainder of the year. Paragraphs 2.1 - 2.4 explain variances between the budget and forecasts.

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	8,056	+900	See paragraph 2.1
Corporate Governance	1,961	2,196	+235	See paragraph 2.2
Communities	5,410	6,016	+606	See paragraph 2.3
Corporate Budgets	3,006	3,186	+180	See paragraph 2.4
Total Net Expenditure	18,038	19,959	+1,921	

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 **+£0.9m** is currently forecast:

(i) **Housing Needs +0.9m**

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 added 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 on 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.

(ii) **Housing Benefits**

Due to the volatility around Housing Benefit, including increasing pressures associated with supported accommodation, a +420k shortfall is forecast that will be met using the Risk Management earmarked reserve as previously agreed.

Director of Corporate Governance

2.2 An overspend of **+£235k** is currently forecast:

(i) **Property +£0k**

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 from the Repairs Reserve 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 +£150k**

Income for the service received to date is below budget and also below expectations compared to amounts received in previous years, the year-end forecast is for the income to be below budget +£150k. The income target for the 2022/23 budget had been reduced by £50k in recognition of the challenges in this area, however despite this reduction a residual +£150k deficit still remains. An in depth review of this service budget is being undertaken as part of the 2023/24 budget setting process.

(iii) **Land Charges +£85k**

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

Director of Communities

2.3 An overspend of **+£606k** 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 and vehicle repairs and maintenance, with the result being a forecast +£150k overspend based on current pricing trends.

(iii) **Maritime and Technical Services +£233k**

Income is projected +£233k 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**

Additional seaweed clearance costing an extra +£40k was undertaken during the peak summer period.

(vii) **Crematorium Income +£85k**

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 half of the year, resulting in an estimated shortfall of +£85k.

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. A separate issue has been highlighted relating to the Kent Innovation Centre electricity billing as a new provider is now on site, but the impact of this is still being ironed out.

3. Corporate Income

- 3.1 The net budget requirement is the term used to explain the total amount the council spends on services after taking account of income streams that are specific to particular service activities such as specific grants or fees and charges (e.g. homelessness grants or car park income). For 2022/23 the net budget requirement was set at £18.038m and was funded from the following corporate (i.e. non service specific) income streams.

	£,000	£,000
2022-23 NET GENERAL FUND REVENUE BUDGET		18,038
Funded by		
Government Grants	-1,227	
Retained Business Rates & Section 31 Grants	-6,119	
Business Rates Collection Fund Deficit	354	
Council Tax	-11,160	
Council Tax Collection Fund Deficit	114	
Total Funding		-18,038

3.2 Business Rates

The retained business rates system is a highly complex system, but in simple terms the Council included £6.119m in this year's budget from business rates related income.

Since the retained business rates system was introduced local authorities have been allowed to retain a proportion of the additional business rates that are generated in their district. TDC also participates in a Kent wide pool that allows Kent authorities to retain a greater proportion of income than operating independently under the national scheme.

However this strand of income is most uncertain and is highly volatile; both in terms of in-year allocations and also for future reform. As such, the budget strategy for the number of years has been to only include approximately half of possible growth in the base budget. Accordingly, for 2022/23, £650k of possible retained growth is included in the base budget, which is equivalent to 59% of potential growth.

At the mid-year point it is reasonable to assume that the council will retain up to a maximum £7.255m of business rates and accordingly a surplus of -£1.136m can be considered to be available at this stage to offset the forecast overspending.

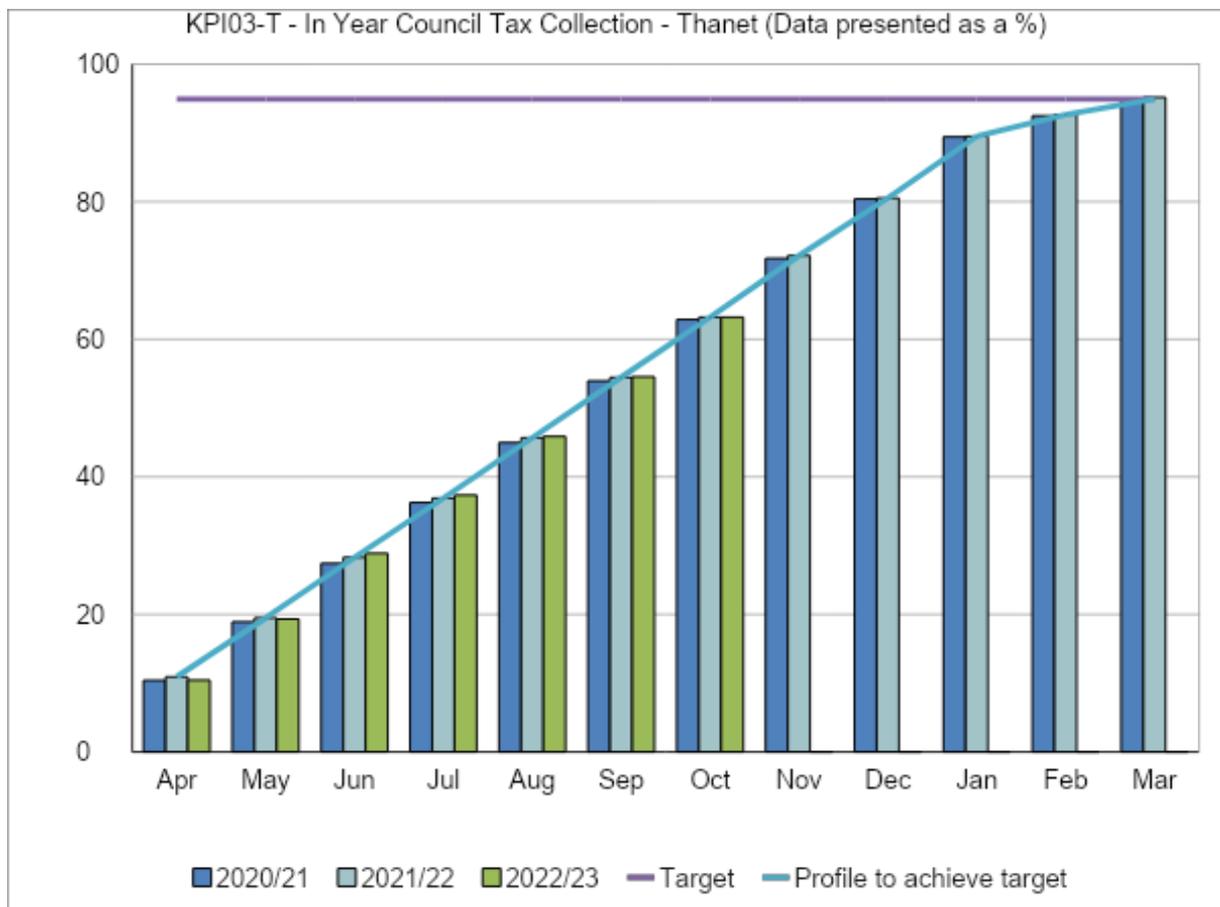
3.3 Council Tax

The council has budgeted for an income of £11.160m from council tax this year. In budgetary terms, this budgeted income is secure for the financial year, because due to the statutory arrangements for the accounting of council tax income, any surplus or deficit on the actual collection of council tax from residents is accounted for through the collection fund. Subsequently, any surplus or deficit that is accumulated in the collection fund is credited or charged to the General Fund revenue budget as part year budget setting process for future years.

In terms of actual collection of council tax within this financial year, the headline is that collection is largely on profile, with actual collection hitting the year to date target of 63.21% at the end of October 2022. However, this is in part due to the Energy Rebate Scheme credits that have been applied to some customers accounts and not yet reclaimed. There is concern the underlying collection is actually behind profile by about 0.30% and consequently about the ability to meet the collection target this year.

The annual target for collection of council tax is 94.91% by the end of March 2023, however it should be noted that the vast majority of any council tax that hasn't been paid by the end of the financial year will still be collected and recovered in following years.

The chart below shows actual and projected council tax collection rates as at the end of October 2022.



4. Addressing Budget Variance

- 4.1 Current forecasts show a potential overspend of just over +£1.9m against General Fund Revenue service budgets. However, it should be noted it is typical for budget monitoring at this point in the monitoring cycle to be more pessimistic in nature and there still remains a substantial proportion of the financial year remaining to address the forecast overspend.
- 4.2 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 £0.9m on temporary accommodation for homelessness is a concern both for the current financial and also the setting on next year's 2023/24 budget.
- 4.3 As referred to previously, there will be a maximum surplus of -£1.136m on the budget for retained business rates; after applying this surplus to the overall overspend of £1.9m, there remains a residual budget deficit of £0.764m that still needs to be addressed.
- 4.4 If this residual overpends 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.

5 Supplementary Budget Requests

- 5.1 This section of the report provides additional information and context associated with any recommendations which request additional budget provision to be approved with the General Fund revenue budget.

5.2 Travellers Site at Ramsgate Port - Budget Virement Approval

It is recommended that Cabinet approve a General Fund Revenue Budget virement of £100k to transfer funding to the Community Safety budget, to facilitate provision of Showers, Toilets and Utilities and Legal Costs for the Traveller community currently located on land at Ramsgate Port. It is proposed this virement is financed from the Corporate Contingency budget.

A magistrates court has determined on welfare grounds the Council has a duty to provide suitable facilities at this temporary site. As such, if a budget virement was not approved this expenditure would still need to be incurred and consequently would be recorded as an overspend.

The section 151 officer has the authority to approve budget virements (transfers) up to £50,000, but any budget transfers exceeding this amount must be approved by Members; At the end of September 2022 funding totalling £49,000 had been vired (transferred) from the corporate contingency budget to the community safety budget for the above purposed. Estimated spend for the whole financial year c.£150,000 and therefore a further virement of £100,000 is required from corporate contingency, to fund the anticipated total annual costs.

5.3 Interim Property Surveyors - £48k

There is a requirement for two interim surveyors to be appointed within the Property Directorate to focus on the delivery of rent reviews and lease renewals, in order to generate income and capital receipts from the rent review and letting backlog. The cost of these two interim posts will be broadly £48,000 for the remainder of the 2022/23 financial year and can be met wholly from the anticipated increased revenue from the associated activities.

6. General Fund Capital Programme – Forecast 2022/23

6.1 The council's 2022/23 revised General Fund capital programme of £41.710m (£41.658m as per annex 1 + £0.052m flexible use of capital receipts) is expected to be underspent by -£16.542m.

6.2 **Annex 1** provides a breakdown of the forecast underspend at scheme level and also shows that £5.131m (12.3%) has been committed against this year's budget as at 30 September 2022.

6.2 This projected underspend includes the following relatively large projects:

(i) Ramsgate Levelling Up

£5.824m 2022/23 capital budget, £873k forecast spend, £4.952m forecast underspend:

This project is currently behind the original forecasted spend profile. Working with central government the Regeneration Team is reprofiling the spend profile over the remaining programme. Further resources have been engaged through an external project management team who are driving the Ramsgate Levelling Up Fund projects forward, and supporting delivery. This is reported to central government through the monitoring and evaluation returns.

(ii) Margate Levelling Up Fund

£5.218m 2022/23 capital budget, £943k forecast spend, £4.275m forecast underspend:

This project is being delivered by East Kent College Group who are reviewing the project in line with inflation and construction challenges, this will include a reprofiling of expenditure and the delivery timeframe. This is reported to central government through the monitoring and evaluation returns.

(iii) Margate Town Deal

£12.64m 2022/23 capital budget, £9.94m forecast spend, £2.7m forecast underspend

The spending profile of this project is high, not just due to slippage in delivery, but also because the Council has been awarded two years of funding for the Margate Creative Land Trust in advance. This will allow the Margate Creative Land Trust to move decisively in the market to purchase identified assets. The Council will hold this

funding with an agreed drawdown process as part of the Grant agreement with the Margate Creative Land Trust.

Another reason for the forecast underspend, is because most of the projects have an upfront 5% capital award, which was allocated to the Council on top forecast of the profiled spend, this is currently being used to develop the projects. This is reported to central government through the monitoring and evaluation returns.

- (iv) **Housing Assistance Policy** - £5.075m budget, £2.903m forecast spend, £2.172m forecast underspend:

The majority of forecast expenditure is on providing Disabled Facilities Grants to local residents. Final spend is dependent upon local need and timing of providing grant assistance. It is anticipated that any underspend at year-end will be available to be carried forward into the next financial year.

- (v) **Public Toilet Refurbishment** £0.75m budget, £35k forecast spend, £0.715m forecast underspend:

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 from this source to finance spending against the scheme.

- (vi) **Office Accommodation** - £0.500m budget, £0m forecast spend, £0.500m forecast underspend:

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.

- 6.4 It is proposed that the following changes to the capital programme be approved by Cabinet, as per recommendation 4 to this report:

- (i) **West to St Mildred's Wall** Reprofile the £0.450m budget and carry it all forward to 2023/24, because 'wintering bird' restrictions mean this project will not commence until 2023/24. This scheme is wholly funded from external funding from the Environment Agency.
- (ii) **Broadstairs Flood & Coast Protection** - Reprofile the £0.880m budget and carry it all forward to 2023/24, because 'wintering bird' restrictions mean this project will not commence until 2023/24. This scheme is wholly funded from external funding from the Environment Agency.

6.5 **Capital Receipts**

As at 30 September 2022 there was a forecast deficit of £0.478m in capital receipts to fund the 2022/23 GF capital programme. This is in addition to the Office Accommodation project and £0.715m of the Public Toilet Refurbishment project, which are both assumed to be self-financing from receipts from the sale of associated assets.

7. Housing Revenue Account (HRA)

7.1 The HRA is currently forecasting a deficit against the budget of £33k. This would result in a year-end net deficit of £1.626m 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 £53k is forecast, which is an improvement since the first quarter due to the level of voids reducing. The rental income deficit is predicted as a result of eight Right-to-Buys (RTB) in the first quarter of 2022/23. However, due to the increase in interest rates it is anticipated that there will be fewer further RTBs during the remainder of 2022/23, so the risk of further rental loss has been reduced.

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 that are now scheduled to be completed in 2022/23.

6.3.2 Supervision and Management

A £175k saving is forecast as a result of lower pension costs being charged to the HRA than anticipated when the Tenant and Leaseholder Service came back inhouse.

However the cost of providing the waking watch is expected to increase by around £350k in 2022-23, due to issues with gaining access to a number of flats in order to be able to fully complete the required capital works in order for the waking watch to be stood down. Court orders are being sought to gain access to these flats and once works are fully complete we will be able to stand down the waking watch service.

6.3.3 HRA Investment Income

The increase in interest rates has had a beneficial effect on the amount of money generated on HRA balances, this increase results in an additional £363k investment income in comparison to budget.

6.3.4 Debt Interest Charges

The Council is currently adopting an internal borrowing approach, utilising its own internal cash balances instead of borrowing externally, this means that the HRA will save a forecast £32k in 2022/23 against the original budget for interest payments on external borrowing.

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)	(13,972)	53
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)	(15,387)	53
Expenditure					
Repairs & Maintenance	4,983		4,983	5,183	200
Supervision & Management	5,296		5,296	5,471	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	243		243	243	-
Debt Management Costs	9		9	9	-
TOTAL EXPENDITURE	16,382	-	16,386	16,761	375
Other Adjustments:					
Share of Members and Democratic Core	148		148	148	-
HRA Investment Income	(75)		(75)	(438)	(363)
Debt Interest Charges	989		989	957	(32)
Government Grants and Contributions	0		0	0	-
Adjustments, accounting /funding basis	(415)		(415)	(415)	-
Deficit/ (Surplus) for HRA Services	1,593	-	1,593	1,626	33

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 September 2022 £2.163m had been spent or committed, this represents 25.59% of the revised budget.

7.3 Following the extensive review of the Capital Programme in Q1 there are no changes to budgets this quarter.

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