

Budget Monitoring Report No.2, 2023/24

Overview and Scrutiny Panel 21 November 2023

Cabinet	16 November 2023
Report Author	Chris Blundell, Director of Corporate Services - Section 151
Portfolio Holder	Cllr Rob Yates, Portfolio Holder for Corporate Services
Status	For Post Decision Review
Classification:	Unrestricted
Key Decision	No
Ward:	All Wards

Executive Summary:

This report provides the 2023/24 Quarter Two budget monitor for General Fund revenue and capital forecasts against budget, as well as the Housing Revenue Account.

At the end of Quarter 2 there was a forecast **£1.179m** overspend on General Fund revenue service budgets.

The HRA is currently forecasting a surplus against the budget of **£1.398m**.

Recommendation to Overview & Scrutiny Panel for post decision review:

The Overview and Scrutiny Panel is being asked to comment on the report.

Recommendation(s) to Cabinet:

- 1) That Cabinet notes the following:
 - i) The General Fund revenue budget 2023/24 forecast position.
 - ii) The General Fund Capital Programme 2023/24 forecast position.
 - iii) The Housing Revenue Account position.
- 2) That Cabinet recommends to Council for approval the supplementary budgets for:
 - i) The £5k requirement for the VAT inspection preparation is funded from the VAT reserve as set out in section 3.2
- 3) That Cabinet agrees to the capital programme budget adjustment, numbered (i), as set out in section 6.5 and Annex 1 to this report.
- 4) That Cabinet recommends to Council for approval the supplementary capital budget, numbered (i) to (ii), as set out in section 6.6 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. 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 2023/24

- 1.1 The 2023/24 General Fund net revenue budget of £20.755m was agreed at the Council meeting on 23 February 2023.
- 1.2 At the end of Quarter 2 there was a forecast **£1.179m** overspend 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.
- 1.3 The council continues to face challenges as a result of the lasting effects of the pandemic and now the cost of living crisis, most notably through the aforementioned shortfall in service income and the ongoing impact on utilities. Managers continue to estimate the financial impact of this crisis and future monitoring will allow for greater certainty of where we will be over the coming months.
- 1.4 Table 1 below summarises at directorate level the **£1.179m** 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 2023/24

Function	2023/24 Budget £'000	2023/24 Forecast £'000	2023/24 Variance £'000	Paragraph
Chief Executive	2,101	2,101	0	n/a
Place	4,121	4,751	+630	See paragraph 2.1
Environment	6,285	7,084	+799	See paragraph 2.2
Corporate Services and s151 Officer	3,597	3,597	+0	See paragraph 2.3
Corporate Budgets	4,651	4,401	-250	See paragraph 2.4
Total Net Expenditure	20,755	21,934	+1,179	

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

2. General Fund detail by Directorate/Department:

Director of Place

2.1 An overspend of +£630k is currently forecast:

(i) Housing Needs +£480k

Homelessness has continually grown as a challenge for many local authorities, 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.

The service overspent by +£1.083m in 2022/23 and as a result of this forecast overspend, an additional +£800k was added into the 2023/24 budget to recognise and fund the rising costs of homelessness.

It was anticipated that if the number of cases fell the increased budget provision would be sufficient to fund the service, however the average number of homelessness cases have actually increased between 2022/23 to 2023/24 to date.

As a result of this increase, the subsequent overspend for 2023/24 is now forecast at +£480k.

The housing options team have identified further actions over the second half of 2023/24 in order to reduce this forecast position and have produced a detailed action plan, which includes:

- A further push to provide incentives to landlords in order for them to provide accommodation that directly reduces the number who require temporary accommodation. It should be noted however that there are a reduced number of landlords in the sector that may be available to provide these incentives too.
- Considering the potential for other options to encourage private sector landlords to make property available for homeless households.
- Regular review of all households in TA to identify those with potential move-on options.
- A further push to ensure maximum recovery of temporary accommodation charges and housing benefit is achieved.
- Acquiring additional in-house TA provision, utilising the approved capital budget for new TA.
- The on-going delivery of the council's commitment to deliver 400 new affordable rented homes over 4 years.

On 31 October, officers attended an emergency homelessness summit, convened by the District Council Network along with another 157 other councils, all facing pressures on their homelessness services. The issue is of national significance. Following the summit the council was a joint signatory to an open letter to the government seeking urgent support. Key asks included:

- Increases in local housing allowances and discretionary housing payments budget,
- Additional resources for homelessness prevention services, and
- Long term investment in more social housing.

The government has given additional financial support to local authorities in previous years and although nothing further has been formally announced to date, should additional support be provided, the overspend forecast would reduce as a result.

(ii) **Housing Benefits +£0**

Due to the volatility around Housing Benefit, including increasing pressures associated with supported accommodation, a +£300k shortfall is forecast, it is anticipated that this will be met using the Equalisation reserve as previously agreed, this reserve is used to manage the peaks and troughs associated with the volatilities of our benefits services.

(iii) **Building Control +£150k**

Income for the service received to date is below budget, the year-end forecast is for the income to be below budget +£150k. The income target for the service has been reduced over a number of years in recognition of the challenges in this area, however despite this reduction a residual +£150k deficit still remains. A further review of this service budget needs to be undertaken as part of balancing the projected 23/24 position.

Director of Environment

2.2 An overspend of **+£799k** 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 -£390k surplus, however, income from parking fines associated with on-street is forecast to be +£300k below budget.

The projected surplus from on-street parking combined with savings against the current salary budget of -£200k will result in a net surplus of -£290k.

Overall this position will be managed through a corresponding +£290k 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 break even against the budget.

(ii) **Domestic Waste Collection +£320k**

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 in waste collection and beach cleaning. There is also an overspend on street cleaning, with additional agency spending due to new Government regulations regarding the disposal of POPs (persistent organic pollutants). Combined, these will result in a +£320k overspend.

(iii) **Maritime and Technical Services +£369k**

Income is projected +£369k 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/Clinical Waste +£60k**

A significant increase to the income target based on 22/23 projected outturn, combined with a change to the pricing structure to individual items to facilitate online bookings, has resulted in a projected shortfall this year of +£40k in bulky waste. The

clinical waste target of +£20k is a legacy budget that is unachievable as this service is not charged to customers.

(v) **Crematorium Income +£50k**

The varying impact of covid on mortality rates has made it more difficult to forecast income for the service. Compared to the same period last year income is £60k higher so the current prediction is that this service could break even. However, the opening of a new Crematorium in Herne Bay is likely to have an impact, the extent of which will not be known for several months so it is prudent at this stage to assume a +£50k shortfall.

Director of Corporate Services and s151 Officer

2.3 This area is forecasting no variance at this time

2.4 Other and Corporate is currently forecast to under spend by **-£250k**:

(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 2022-23 assumed collection fund deficit that hits 2023-24.

(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 this will be carefully monitored over the course of the year to make sure.

(iii) Income generated as a result of the Council's investment activities is being positively impacted by the current increased interest rates, although the counter side to this is increased borrowing costs, we are currently projecting a net gain of -£250k on these activities.

3. Supplementary Budget Requests

3.1 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.

3.2 There is a £5k requirement for the VAT inspection preparation to be funded from the VAT reserve.

4 Corporate Income

- 4.1 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 2023/24 the net budget requirement was set at £20.755m and was funded from the following corporate (i.e. non service specific) income streams.

	£000	£000
2023-24 NET GENERAL FUND REVENUE BUDGET		20,755
Funded by		
Government Grants	-1,317	
Retained Business Rates & Section 31 Grants	-8,060	
Business Rates Collection Fund Deficit	199	
Council Tax	-11,690	
Council Tax Collection Fund Deficit	113	
Total Funding		-20,755

4.2 Business Rates

The retained business rates system is a highly complex system, but in simple terms the Council included £8.060m 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 was to only include approximately half of possible growth in the base budget. For 2023/24 the full amount of anticipated growth has been assumed and therefore £1.358m of possible retained growth is included in the base budget.

4.3 Council Tax

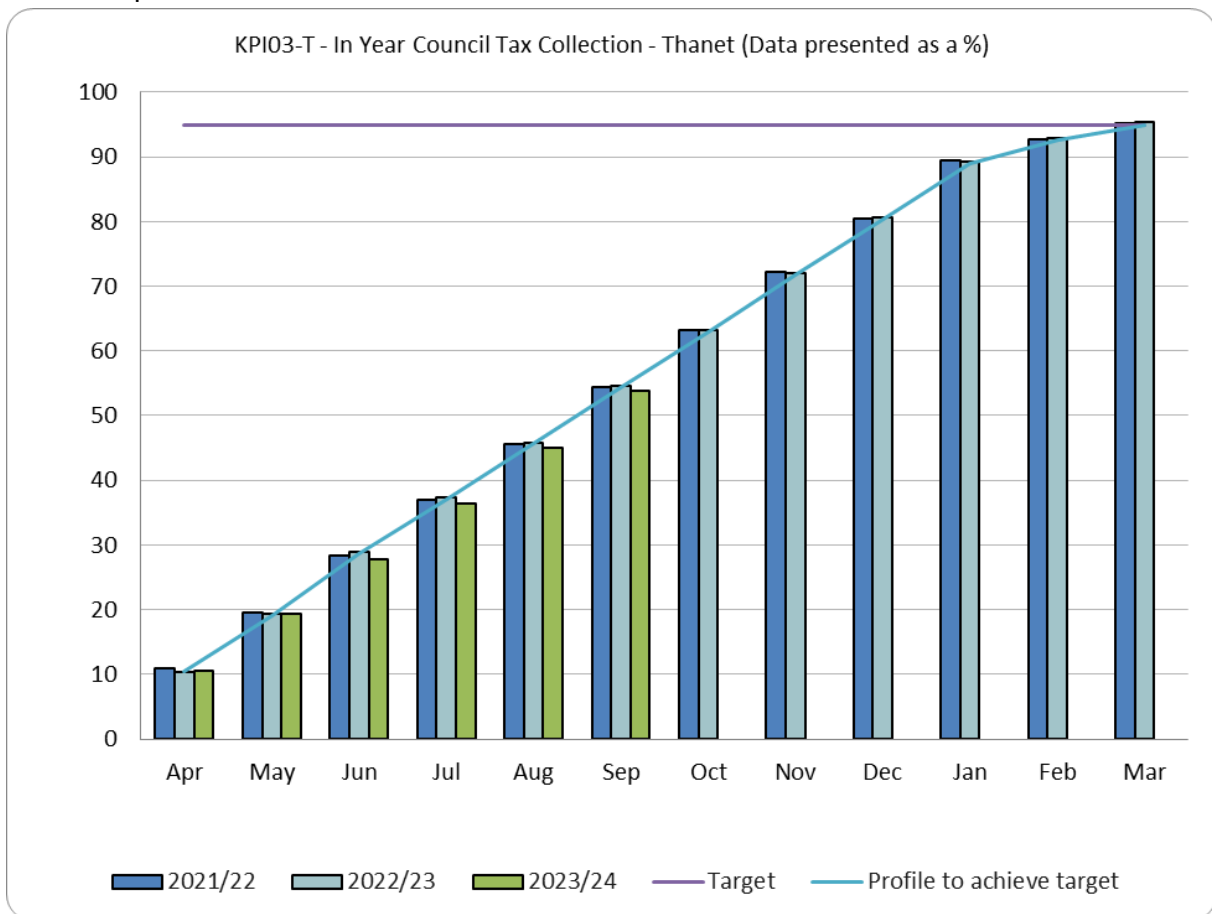
The council has budgeted for an income of £11.690m from council tax this year. In budgetary terms, this budgeted income is secure for the financial year, because due to the statutory arrangements for the accounting of council tax income, any surplus or deficit on the actual collection of council tax 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 collections hitting 53.75% against a target of 54.31% at the end of September 2023.

The annual target for collection of council tax is 94.91% by the end of March 2024, 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 for September 23.



5. Addressing Budget Variance

- 5.1 Current forecasts show a potential overspend of just over +£1.179m against General Fund Revenue service budgets. 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.
- 5.2 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.

5.3 All budgets will continue to be regularly monitored to ensure that the council's expenditure remains where possible, within the agreed budget. This will include monitoring income and controllable spend in order to manage down the potential impact. Each of the services projecting an overspend as above are striving to minimise or eliminate the overspend before the end of the year, but failure to do so will require consideration of the use of reserves.

6. General Fund Capital Programme – Forecast 2023/24

6.1 The council's 2023/24 revised General Fund capital programme of £26.692m (£26.640m as per annex 1 + £0.052m flexible use of capital receipts) is expected to be underspent by -£8.128m.

6.2 **Annex 1** provides a breakdown of the forecast underspend at scheme level and also shows that £3.290m (12.35%) has been committed against this year's budget as at 30 September 2023.

6.3 The projected underspend includes the following relatively large projects:

(i) Housing Assistance Policy

£5.429m 2023/24 capital budget, £3.123m forecast spend, £2.306m 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.

(ii) Public Toilet Refurbishment

£0.749m 2023/24 capital budget, £79k forecast spend, £0.670m forecast underspend:

Expenditure on this programme was previously predicated on the achievement of capital receipts from the disposal of closed public conveniences, however alternatively funding has been identified that removes the need for these disposals. This will now allow for investment in these facilities to be planned.

(iii) Office Accommodation

£3m 2023/24 capital budget, £0 forecast spend, £3m 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.

(iv) Broadstairs Flood & Coast Protection

£0.880m 2023/24 capital budget, £44k forecast spend, £0.836m forecast underspend:

This project is now forecast to start in Spring to avoid disturbing wintering birds.

(v) Westbrook to St Mildred's Sea Wall Work

£0.450m 2023/24 capital budget, £0 forecast spend, £0.450m forecast underspend:

Environment Agency funding is yet to be confirmed for this project.

6.4 There is currently a projected overspend of £80,908 on the IT Infrastructure project. All IT budgets (both capital and revenue) are currently under review.

6.5 It is proposed that the following change to this year's capital programme be approved by Cabinet, as per recommendation 3 to this report:

(i) **Thanet District LED Lighting:** Reduce the budget by £20,000 (from external funding) in line with the LED Street Lighting Conversion Project report tabled at the 21 September 2023 Cabinet meeting.

6.6 It is proposed that the following change to this year's capital programme be recommended to Council for approval, as per recommendation 4 to this report.

(i) **Housing Assistance Policy (Disabled Facilities Grants & Better Care Fund):** Increase the budget by £298,604 (from external funding) to reflect an increased funding allocation for this scheme.

(ii) **IT Infrastructure** - A supplementary budget of £178,000 is required, to be funded from borrowing, in order to deliver the full scope of the IT Infrastructure programme.

6.7 Capital Receipts

As at 30 September 2023 there was a forecast surplus of £0.580m in capital receipts to fund the 2023/24 GF capital programme. This excludes the Office Accommodation project and £0.270m 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 surplus against the budget of £1.398m. This would result in a year-end net deficit of £108k in 2023-24, which would be financed by drawing down from HRA balances.

7.2 Income

7.2.1 Dwelling rents are forecasting a surplus of £30k. This is as a result of a slow down in Right-to-Buys (RTB) in the first half of 2023/24 and a lower level of voids.

7.3 HRA Investment Income

Interest rates have risen since the setting of the budget and although now settling the base rate is still 5.25%. The HRA interest earned is based on an average of HRA cash balances held over the course of the year multiplied by the average investment rate and so it's difficult to accurately predict actual interest to be earned until year end. A prudent assumption of £430k additional interest earned over budget has been forecast for Q2.

7.4 HRA Debt Interest Charges

Due to the Council's healthy cash flow position, the Council has been able to undertake internal borrowing in the short term rather than seeking loans from PWLB

that would attract debt interest charges. As cashflow should be sufficient for the remainder of 2023/24, the HRA shouldn't have to take out new loans and a saving of £938k should be realised. Should loans be required to be taken out due to an unexpected reduction in cash flow, this forecast saving would adversely change.

Table 2 - HRA – Forecast against Budget 2023/24

	2023/24 Budget	Move- ment	2023/24 Budget	2023/24 Forecast	2023/24 Variance
	£'000	£'000	£'000	£'000	£'000
Income:					
Dwelling Rents	(14,922)		(14,922)	(14,952)	(30)
Non-dwelling Rents	(277)		(277)	(277)	-
Charges for services and facilities	(579)		(579)	(579)	-
Contributions towards expenditure	(520)		(520)	(520)	-
TOTAL INCOME	(16,298)	-	(16,298)	(16,328)	(30)
Expenditure					
Repairs & Maintenance	5,255		5,255	5,255	-
Supervision & Management	5,901		5,901	5,901	-
Depreciation & Impairments	4,310		4,310	4,310	-
Allowance for bad or doubtful debts	260		260	260	-
Contribution to Capital	370		370	370	-
Non-service specific expenditure	246		246	246	-
Debt Management Costs	9		9	9	-
TOTAL EXPENDITURE	16,351		16,351	16,351	-
Other Adjustments:					
Share of Members and Democratic Core	148		148	148	-
HRA Investment Income	(770)		(770)	(1,200)	(430)
Debt Interest Charges	1,487		1,487	549	(938)
Government Grants and Contributions	0		0	0	-
Adjustments, accounting /funding basis	588		588	588	-
Deficit/ (Surplus) for HRA Services	1,506	-	1,506	108	(1,398)

8. Housing Revenue Account Capital Programme – Forecast 2023/24

8.1 **Annex 2** shows the revised 2023/24 Capital Programme.

8.2 At the end of September 2023 £3.58m had been spent or committed, this represents 10.5% of the revised budget.

8.3 As per the Council report dated 12 October 2023, £12m has been added to the HRA Capital Programme for the acquisition of new affordable housing units.

- 8.4 £2.016m of budget relating to works at Royal Crescent (£1.16m) and Churchfields (£400k) has been slipped to the 2024/25 Capital Programme.
- 8.5 Major works associated with void properties have been added to the capital programme and in order to fund that anticipated 2023/24 cost a virement of £280k has been made between kitchen and bathroom replacements and the planned refurbishment budget.

Contact Officer: Matthew Sanham, Head of Finance and Procurement
Reporting to: Chris Blundell, Director of Corporate Services - Section 151

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