

Budget Monitoring Report No.3, 2023/24

Extraordinary Cabinet	29 February 2024
Report Author	Chris Blundell, Director of Corporate Services - Section 151
Portfolio Holder	Cllr Rob Yates, Portfolio Holder for Corporate Services
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Ward:	All Wards

Executive Summary:

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

At the end of quarter 3 there was a forecast **£1.334m** overspend on General Fund revenue service budgets.

The HRA is currently forecasting a surplus against the budget of **£1.478m**.

Recommendation(s):

- 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 £275k requirement for the removal of waste at the Dane Park Depot is funded from the risk reserve as set out in section 3.2 of this report and previously reported to Cabinet in January.
- 3) That Cabinet agrees to the capital programme budget adjustments, numbered (i) and (ii), as set out in section 6.4 and Annex 1 to this report.
- 4) That Cabinet recommends to Council for approval the supplementary capital budgets, numbered (i) and (ii), as set out in section 6.5 and Annex 1 to this report.
- 5) That Cabinet recommends to Council for approval the supplementary budget for the new HRA scheme for Newington, as set out in section 8.5 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

The Council is required by law to set a balanced budget for each financial year. During the year there is an ongoing responsibility to monitor spending and ensure that finances continue to be sound.

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. This report demonstrates the Council's compliance in respect of this duty.

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: -

- *To keep our district safe and clean*
- *To deliver the housing we need*
- *To protect our environment*
- *To create a thriving place*
- *To work efficiently for you*

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 3 there was a forecast **£1.334m** 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 **£1.334m** projected overspend on General Fund revenue services based on actuals to the end of quarter 3 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	4,881	+760	See paragraph 2.1
Environment	6,285	7,359	+1,074	See paragraph 2.2
Corporate Services and s151 Officer	3,597	3,597	+0	See paragraph 2.3
Corporate Budgets	4,651	4,151	-500	See paragraph 2.4
Total Net Expenditure	20,755	22,089	+1,334	

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

2. General Fund detail by Directorate/Department:

One of the key tools for implementing the budget strategy was the use of budget prioritisation meetings, to consider services' current resource allocations and also assessing any budget proposals. Heads of Service and Directors were asked to formulate proposals against the draft priorities contained in the emerging Corporate Plan, so that the Council would be able to deliver immediate improvements against those priorities once the Plan was approved next February.

As part of this process current year pressures were also reviewed, providing an opportunity to manage some of the issues identified below. Examples include the review of Fees and Charges where in some instances we have smoothed the impact of ongoing pressures, Homelessness; where additional funds have been included to develop our own provision and Street Cleansing, where additional resources have been made available.

Director of Place

2.1 An overspend of +£760k is currently forecast:

(i) **Housing Needs +£650k**

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 +£650k.

The housing options team have identified further actions over the remainder 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 +£500k 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 +£110k**

Income for the service received to date is below budget, the year-end forecast is for the income to be below budget +£110k. 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 +£110k 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 **+£1,074k** 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 -£405k 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 -£190k will result in a net surplus of -£295k.

Overall this position will be managed through a corresponding +£295k 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 +£445k**

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 and overtime payments, 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 +£445k 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 +£200k**

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 £140k higher, but still 150k short of the budget. The opening of a new Crematorium in Herne Bay is likely to be having an impact in this financial year as their rates are currently lower than TDC, although it is understood that from April they will be increasing. At this stage it is prudent to assume a +£200k shortfall and an amount has been factored into the 24/25 budget build to help manage the impact of this.

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 **-£500k**:

- (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 -£500k 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 £275k requirement for the removal of green waste at the Dane Park Depot to be funded from the risk 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

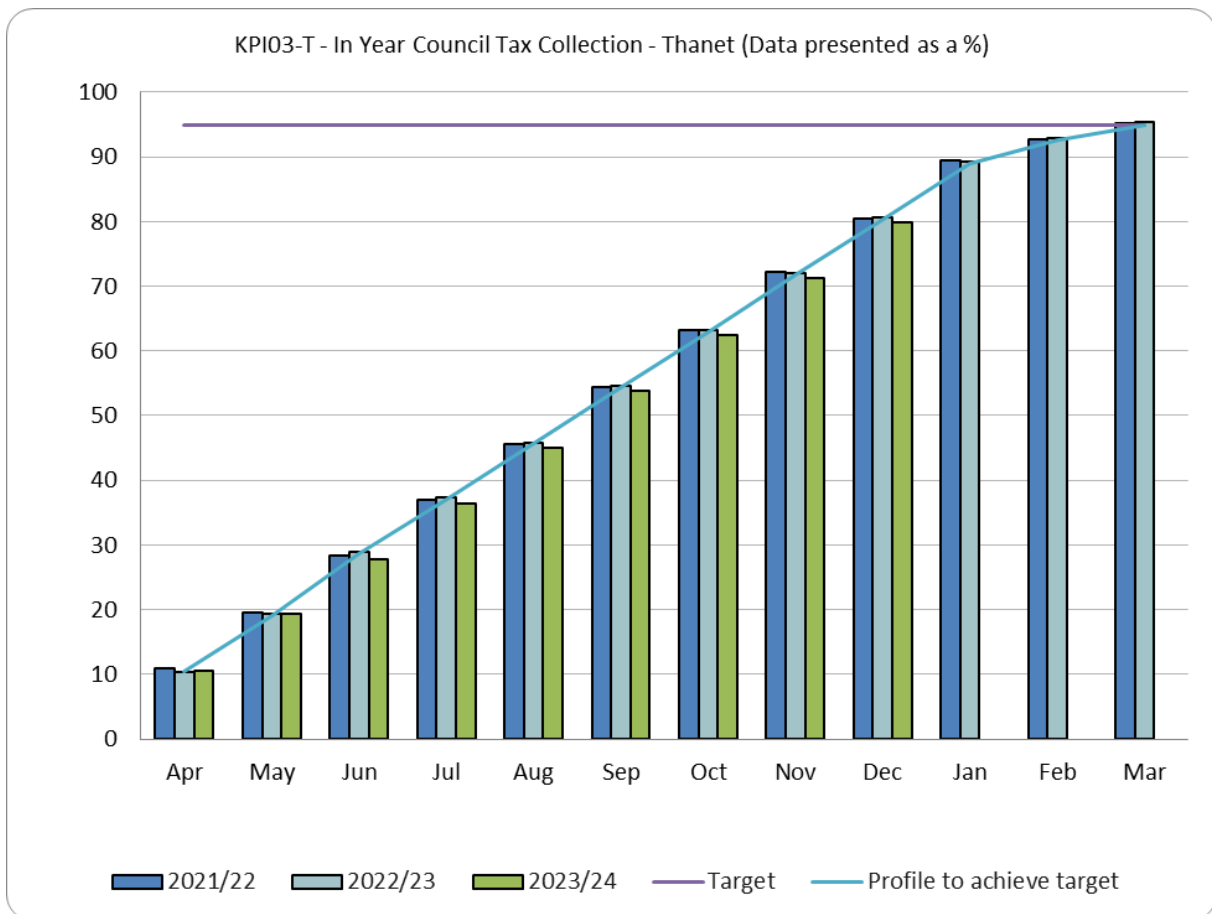
The council has budgeted for an income of £11.690m from council tax this year. In budgetary terms, this budgeted income is secure for the financial year, because due to the statutory arrangements for the accounting of council tax income, any surplus or deficit on the actual collection of council tax 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 79.83% against a target of 80.36% at the end of December 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 December 23.



5. Addressing Budget Variance

- 5.1 Current forecasts show a potential overspend of just over +£1.334m against General Fund Revenue service budgets. It should be noted that the final qtr of the financial year could still move considerably, with it being likely that some of our planned spend will in fact slip into 2024/25, this has the potential to contribute towards the forecast overspend.
- 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 £27.176m (£27.124m as per annex 1 + £0.052m flexible use of capital receipts) is expected to be underspent by -£12.010m.

6.2 **Annex 1** provides a breakdown of the forecast underspend at scheme level and also shows that £6.104m (22.50%) has been committed against this year's budget as at 31 December 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 & Renewal

£0.749m 2023/24 capital budget, £0.083m forecast spend, £0.666m forecast underspend:

Expenditure on this programme was previously predicated on the achievement of capital receipts from the disposal of closed public conveniences. However alternative funding has now been identified which will allow for investment in these facilities to be planned as per the 14 December 2023 Cabinet report.

(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. 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, £0.044m 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.

(vi) **Homelessness Accommodation (phase 2)**

£1m 2023/24 capital budget, £0 forecast spend, £1m forecast underspend.

It is unlikely there will be any capital spend on a suitable site in 2023/24.

(vii) **Infrastructure**

£1.320m 2023/24 capital budget, £0.250 forecast spend, £1.070m forecast underspend.

It is anticipated this will be a multi-year project although the budget hasn't been phased to give more flexibility.

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

(i) **Ramsgate East Pier Building Structural Improvements:** Transfer £30k additional budget to this project from the **Property Enhancement Programme**.

(ii) **Community Parks:** Remove the residual budget of £28k as this project has now finished.

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

(i) **Sea Wall Remedial Work:** Addition of a new £142k grant funded project for sea wall remedial work following strong winds and a tidal surge.

(ii) **Jackey Bakers Pavilion:** Addition of a new £370k project funded from reserves for the demolition of the current pavilion and provision of a portacabin style facility. More details are given in the Jackey Bakers Recreation Ground report presented to Cabinet on 14 December 2023.

6.6 **Capital Receipts**

As at 31 December 2023 there was a forecast surplus of £0.570m in capital receipts to fund the 2023/24 GF capital programme. This excludes the Office Accommodation project and £0.179m of the Public Toilet Refurbishment & Renewal project, which are currently 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 £1.478m. This would result in a year-end net deficit of £28k in 2023/24, this would be funded by a drawdown 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.

7.2.1 Forecast non-tenant garage rental income is expected to be £30k more than the original forecast budget due to an increase in rental charges and a reduction in the number of voids.

7.2.3 The HRA has built in other income budgets totalling £260k, these consist of Household Support Fund grant £185k and higher rechargeable repairs income £75k.

7.3 Repairs and Maintenance/Contribution to capital

An additional £300k revenue contribution to capital is required to fund the increased forecast costs of the capital disabled adaptations. The £300k additional contribution will be taken from the forecast underspend on repairs and maintenance and as such an adjustment between these lines has been reflected in the budget.

An additional £75k has been added to the repairs and maintenance budget to reflect the expenditure funded by the additional income for rechargeable repairs.

7.3 Supervision and Management

An additional budget of £185k has been added to reflect the expected expenditure of Household Support Fund grant.

7.4 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 £480k additional interest earned over budget has been forecast for Q3.

7.5 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 Revised 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)	(307)	(30)
Charges for services and facilities	(579)		(579)	(579)	-
Contributions towards expenditure	(520)	(260)	(780)	(780)	-
TOTAL INCOME	(16,298)	(260)	(16,558)	(16,618)	(60)
Expenditure					
Repairs & Maintenance	5,255	(225)	5,030	5,030	-
Supervision & Management	5,901	185	6,086	6,086	-
Depreciation & Impairments	4,310		4,310	4,310	-
Allowance for bad or doubtful debts	260		260	260	-
Contribution to Capital	370	300	670	670	-
Non-service specific expenditure	246		246	246	-
Debt Management Costs	9		9	9	-
TOTAL EXPENDITURE	16,351	260	16,611	16,611	-
Other Adjustments:					
Share of Members and Democratic Core	148		148	148	-
HRA Investment Income	(770)		(770)	(1,250)	(480)
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	28	(1,478)

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 December 2023 £9.056m had been spent or committed, this represents 26.33% of the revised budget.

8.3 The current end of year forecast spend position across the capital programme is £17.4m, this represents a forecast % spend against budget of 50.17%. End of year forecasted spend against major works and disabled adaptations, budgets managed by Tenant and Leasehold Services are forecast to spend 85.1% of budget. Due to the nature, availability and timing of purchase and replenishment schemes, only 39.18% of the budget is forecast to be spent, although more has been allocated to sites which will complete in 2024/25.

- 8.3 Planned refurbishments consist mainly of major refurbishment of void properties is forecast to overspend and so £200k has been reallocated from the heating budget in order to mitigate this forecast overspend.
- 8.4 As mentioned in 7.3 above, disabled adaptations are forecast to overspend as a result of clearing the waiting list and a major extension. Therefore an additional revenue contribution and budget increase of £300k is required to mitigate the forecast overspend.
- 8.5 A new scheme is required for Newington Community Centre, the proposed works to the existing building are primarily Mechanical, Electrical and Plumbing items, which will significantly upgrade the energy efficiency of the building and lead to much lower operational costs for the centre in the long term. These improvements will also support the council's transition to net zero across its asset portfolio.

Other items included in these works are the renovation of the w/cs in the centre, creating accessible facilities for the community. Two small one-to-one offices will also be created to facilitate wellbeing sessions in the centre, and a new accessible entrance. These minor layout alterations will have large impacts on the operation of the centre overall and allow multiple uses of the space simultaneously, as opposed to one activity requiring the entire space.

These works are anticipated to be £300k, requiring the addition of a new scheme into the HRA Capital Programme.

- 8.6 A number of programmes are forecast to underspend and a narrative has been added to **Annex 2** to explain the forecast position.

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: Ingrid Brown (Head of Legal and Democracy & Monitoring Officer)