



<b>Report for:</b>	<b>Housing and Community Overview and Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>6 November 2019</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Budget Monitoring Quarter 2 2019/20</b>
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources Nigel Howcutt, Assistant Director (Finance & Resources) Caroline Souto, Team Leader Financial Planning & Analysis
Purpose of report:	To provide details of the projected outturn for 2019/20 as at Quarter 2 for the: <ul style="list-style-type: none"> <li>• General Fund</li> <li>• Housing Revenue Account</li> <li>• Capital Programme</li> </ul>
Recommendations	That Committee note the financial position for the Council for 2019/20 as at Quarter 2.
Corporate objectives:	Delivering an efficient and modern council.
Implications:	<u>Financial</u> This report outlines the financial position for the Council for 2019/20 and so summarises the financial implications for service decisions expected to be made for the financial year.  <u>Value for Money</u> Regular budget monitoring and reporting supports the effective use of the financial resources available to the Council.
Risk Implications	This reports outlines the financial position for the Council for 2019/20 and in so doing quantifies the financial risk associated with service decisions expected to be made for the financial year.
Community Impact Assessment	The content of this report does not require a Community Impact Assessment to be undertaken.
Health And Safety Implications	There are no Health and Safety implications arising from this report.
Consultees	The position reported within this report has been reviewed and discussed with relevant Council Officers.

Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account MRP – Minimum Revenue Provision
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## 1. Introduction

1.1 The purpose of this report is to present the Council's forecast outturn for 2019/20 as at the 30 September 2019. The report covers the following budgets with associated appendices:

- General Fund - Appendix A. A pressure against budget of £126k is forecast.
- Housing Revenue Account (HRA) - Appendix B. A surplus of £433k is forecast.
- Capital Programme - Appendix C. Budget re-phasing to future years of £2.5m is forecast, which is 5% of the overall programme. £2.3m is HRA and £0.2m is General Fund.

## 2. General Fund Revenue Account

1.2 The General Fund revenue account records the income and expenditure associated with all Council functions, except the management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA).

1.3 Appendix A provides an overview of the General Fund forecast outturn position. The forecast position includes areas of both under and overspend. There is a net overall pressure of £126k, less than 1% of the net cost of services budget.

The table below outlines the service areas with a significant financial pressure:

<b>Table 1</b>	<b>Key Financial Pressure</b>	<b>Description</b>
<b>Scrutiny Committee</b>		
Housing and Community	£195k	Garage Income
Strategic Planning and Environment	£130k	Fleet vehicle Maintenance
Strategic Planning and Environment	£105k	Planning
Strategic Planning and Environment	£90k	Commercial Waste Income

1.4 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

<b>Table 2</b>	<b>Current Budget £000</b>	<b>Forecast Outturn £000</b>	<b>Variance</b>	
			<b>£000</b>	<b>%</b>
Finance & Resources	16,382	16,394	<b>12</b>	<b>(0.1%)</b>

Strategic Planning and Environment	8,467	8,979	<b>512</b>	6.0%
Housing & Community	537	549	<b>12</b>	2.2%
<b>Total</b>	<b>25,386</b>	<b>25,922</b>	<b>536</b>	2.1%
Investment Property	(4,317)	(4,357)	<b>(40)</b>	0.9%
Core Funding	(21,070)	(21,440)	<b>(370)</b>	1.8%
<b>Contribution (to)/ from General Fund Working Balance</b>	<b>(1)</b>	<b>125</b>	<b>126</b>	

## 2.4 Core Funding - £370k additional funding / reduction in expenditure

There is a combination of additional government grant income and a reduction in expenditure forecast to yield a benefit of £370k against core funding budgets. These include:

- Increased new burdens funding of £155k, including £100k relating to the Revenues and Benefits service. This funding is not ring-fenced for a specific use and has therefore been treated as core funding. In addition £35k of Brexit funding has been received in order to prepare for withdrawal from the European Union.
- The Minimum Revenue Provision (MRP) is a minimum amount which a Council must charge against its revenue budget each year for the financing of capital expenditure which has been initially funded by borrowing. The MRP is £165k lower than budgeted for 2019/20, resulting from below-budget capital expenditure in 2018/19.
- Investment Income is forecast to exceed budget by £80k as balances of cash reserves are higher than had been anticipated due to lower than budgeted capital expenditure.
- Additional income from the HRA of £50k. This arises from work on void garden clearances previously carried out by Osborne and now undertaken by Clean, Safe and Green. As such, there is no resulting additional cost to the HRA.
- Insurance recharges to the HRA will be reduced by £80k due to additional income from Leaseholders' charges.

2.5 The following sections provide an analysis of the projected outturn and major budget variances shown by Scrutiny area.

## 3. Housing and Community

<b>Table 3 Housing and Community</b>	<b>Current Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>
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	£000	£000	£000	%
Employees	3,920	3,899	(21)	(0.5%)
Premises	886	665	(221)	(24.9%)
Transport	18	18	0	0.0%
Supplies & Services	1,389	1,361	(28)	(2.0%)
Transfer Payments	55	5	(50)	(90.9%)
Income	(5,575)	(5,183)	392	(7.0%)
Earmarked Reserves	(156)	(216)	(60)	38.5%
<b>Total</b>	<b>537</b>	<b>549</b>	<b>12</b>	<b>2.2%</b>

### 3.1 Premises - £221k underspend against budget

The forecast underspend relates to the ongoing upkeep and maintenance costs for the Garages service. A full stock condition survey has been commissioned to determine the current state of the garage stock, and the results of this are expected later this calendar year.

### 3.2 Income - £392k pressure against budget

The forecast pressure relates to the Garage service income not being achieved and is a continuation of 2018/19 position. Void rates continue at around 30%. An ongoing garage strategy will be developed once the stock condition survey has been completed.

### 3.3 Supplementary budgets requested

A specialist project manager has been commissioned to lead on improvements to the garage letting process. A drawdown of £30k from the Invest to Save reserve will be requested in the Quarter 2 Cabinet report to fund this expenditure.

## 4. Housing Revenue Account (HRA)

3.4 The HRA is a ring-fenced account relating to the Council's Landlord functions. A guiding principle of the HRA is that revenue raised from rents and service charges must be sufficient to fund expenditure incurred. The forecast outturn position for the HRA is shown at Appendix B.

3.5 The projected HRA balance at the end of 2019/20 is a surplus of £433k. A balanced outturn position for the HRA can be achieved by either increasing (in the case of an overall surplus) or decreasing (in the case of an overall deficit) the final revenue contribution to capital for the HRA. This will be a decision for Members to take once the final outturn position for 2019/20 is confirmed early in 2020/21.

### 3.6 Dwelling rents - £234k overachievement of income

The forecast overachievement of income includes the following:

- Additional income is being recovered through Housing Benefit of £140k. This relates to Housing Benefit subsidy for tenants in supported housing.

- £82k overachievement of rental income due to budget expectations on new build sites being set prudently in advance of allocations and rent levels being agreed.
- £30k surplus due to re-let properties moving to the correct rent level (known as Formula Rent).

### 3.7 Tenants' Charges - £85k underachievement on budget

A review of tenants and leaseholder service charges has led to a forecasted deficit of £85k related to a reduction in tenants' service charges. Budgets will be realigned in the next budget setting round.

### 3.8 Supervision and Management - £369k underspend against budget

The forecast underspend against budget includes:

- £270k relating to vacancies across the service. Recruitment to these vacancies is currently underway.
- £80k reduction in the recharge to the HRA relating to Insurance. This relates to income from Insurance charges payable by Leaseholders.

## 5. Capital Programme

### 3.9 Appendix C shows the projected capital outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny committee area.

The current budget is the original budget approved by Cabinet in February 2019, plus approved amendments.

The 'rephasing' column refers to projects where expenditure is still expected to be incurred, but will now be in 2020/21 rather than 2019/20 ('slippage'), or conversely, where expenditure planned initially for 2020/21 has been incurred in 2019/20 ('accelerated spend').

The 'Variance' column refers to projects which are expected to come in under or over budget and projects which are no longer required.

Table 4	Current Budget £000	Rephasing £000	Revised Budget £000	Forecast Outturn £000	Variance £000 %	
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Housing & Community	6,184	(198)	5,986	5,986	0	0.0%
<b>GF Total</b>	<b>6,184</b>	<b>(198)</b>	<b>5,986</b>	<b>5,986</b>	<b>0</b>	<b>0.0%</b>
<b>HRA Total</b>	<b>43,050</b>	<b>(2,308)</b>	<b>40,742</b>	<b>40,742</b>	<b>0</b>	<b>0.0%</b>
<b>Grand Total</b>	<b>49,234</b>	<b>(2,506)</b>	<b>46,728</b>	<b>46,728</b>	<b>0</b>	<b>0.0%</b>

### 3.10 General Fund Major Variances

There is projected rephasing of £0.2m into 2020/21 on the General Fund and a balanced outturn position.

- Line 157: slippage of £0.2m on Temporary Accommodation Development. Completion is now expected slightly later which will push the expenditure into 2020/21.

### 3.11 Housing Revenue Account Major Variances

There is projected rephasing on HRA of £2.3m and a forecast balanced outturn position.

- Line 207 and 217: these lines offset each other, as the budget for land acquisition of Eastwick Row is built in to the New Build General line. Once the land has been acquired, virements will be requested to transfer the appropriate portion of the budget to the correct scheme.
- Line 208: slippage of £1.3m on Martindale. The site is progressing well and is still expected to complete mid 2020/21, however a greater part of the costs will now be in 2020/21. A proportion of the contingency is also not expected to be required, however this will be confirmed when the project is nearer to completion.
- Line 209: Strategic Acquisitions – Housing. £161k of expenditure is required in order to buy back a leasehold property which had been sold under the Right to Buy scheme. The tenants expressed a desire to sell the property back to the Council and there is high demand for similar properties in the area. A supplementary budget will be requested in the Quarter 2 Cabinet report.
- Line 211: underspend of £0.5m on Stationers Place with slippage of £0.9m. The scheme is due to complete in Q1 of 2020/21.
- Line 213 and 214: overspend of £0.7m on Swing Gate Lane, due to a number of factors including planning requirements, some contamination on site, archaeological issues and client changes.
- Line 216: accelerated spend of £0.35m on Coniston Road. The land purchase had been budgeted in 2020/21 but is now expected to take place in 2019/20.

- Line 218: slippage of £0.4m on St. Margaret's Way. The scheme was put on hold for a number of months whilst options for the site were reviewed. This has led to slippage into 2020/21.

## **6. Conclusions and recommendations**

- 3.12** As at Quarter 2 2019/20, there is a forecast pressure of £126k against General Fund budgets and a forecast surplus of £433k against Housing Revenue Account budgets.
- 3.13** As at Quarter 2 2019/20, against General Fund capital there is forecast budget rephasing of £0.2m and a balanced outturn position. Against Housing Revenue Account capital schemes, budget rephasing of £2.3m is forecast and outturn is expected to be on budget.
- 3.14** Members are asked to note the financial position for the Council for 2019/20 as at Quarter 2.