



**AGENDA ITEM:  
SUMMARY**

<b>Report for:</b>	<b>Housing and Community Overview and Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>4 March 2020</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Budget Monitoring Quarter 3 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 3 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 3.
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

## 1. Executive Summary

- 1.1 The projected outturn against budget as at Quarter 3 is a general fund pressure of £148k which is a small increase of £22k quarter on quarter.
- 1.2 The HRA surplus reported at Quarter 2 has reduced slightly by £40k to £393k.
- 1.3 There has been an increase in the capital budget pressure of £600k quarter on quarter, predominantly as a result of an increase in the affordable housing grants paid to housing associations to provide affordable homes.

## 2. Introduction

- 2.1 The purpose of this report is to present the Council's forecast outturn for 2019/20 as at the 31 December 2019. The report covers the following budgets with associated appendices:
- General Fund - Appendix A. A pressure against budget of £148k is forecast.
  - Housing Revenue Account (HRA) - Appendix B. A surplus of £393k is forecast.
  - Capital Programme - Appendix C. Budget re-phasing to future years of £3.5m is forecast, which is 7% of the overall programme. £2.9m is HRA and £0.6m is General Fund. An in year pressure on capital budgets of £0.6m is forecast.

## 3. General Fund Revenue Account

- 3.1 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).
- 3.2 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 £148k, 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	£110k	Fleet Vehicle Maintenance
Strategic Planning and Environment	£200k	Planning
Strategic Planning and Environment	£170k	Commercial Waste Income

**3.3** 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	16,443	16,468	<b>25</b>	0.2%
Strategic Planning and Environment	8,406	9,033	<b>627</b>	7.5%
Housing & Community	537	514	<b>(23)</b>	(4.3%)
<b>Total Operating Cost</b>	<b>25,386</b>	<b>26,015</b>	<b>629</b>	2.5%
Investment Property	(4,317)	(4,308)	<b>9</b>	(0.2%)
Core Funding	(21,070)	(21,560)	<b>(490)</b>	2.3%
<b>Contribution (to)/ from General Fund Working Balance</b>	<b>(1)</b>	<b>147</b>	<b>148</b>	

#### **3.4 Core Funding - £490k 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 £490k 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 £200k 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.

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

#### 4. Housing and Community

<b>Table 3 Housing and Community</b>	<b>Current Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Employees	3,920	3,980	60	1.5%
Premises	886	627	(259)	(29.2%)
Transport	18	17	(1)	(5.6%)
Supplies & Services	1,420	1,461	41	2.9%
Transfer Payments	55	5	(50)	(90.9%)
Income	(5,576)	(5,235)	341	(6.1%)
Earmarked Reserves	(186)	(341)	(155)	83.3%
<b>Total</b>	<b>537</b>	<b>514</b>	<b>(23)</b>	<b>(4.3%)</b>

##### 4.1 Employees - £60k pressure against budget

The forecast includes temporary resources to support the Garages service whilst a detailed review is underway, at a cost of £80k. A drawdown from the Invest to Save reserve has been requested in the Quarter 3 Financial Performance report to Cabinet.

##### 4.2 Premises - £259k 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 in the year. The stock condition survey has a one-off cost of £60k, to be funded from the Invest to Save reserve.

##### 4.3 Income - £341k 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 31%. A consolidated garage management strategy is being developed to improve occupancy levels, and progress will be reported back to Members in 2020.

#### 5. Housing Revenue Account (HRA)

- 5.1 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.
- 5.2 The projected HRA balance at the end of 2019/20 is a surplus of £393k. 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.

### **5.3 Dwelling rents - £270k 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).

### **5.4 Tenants' and Leaseholder 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.

### **5.5 Interest and Investment Income - £102k underachievement on budget**

This forecast is a more accurate reflection of the split of interest income between General Fund and HRA.

### **5.6 Supervision and Management - £394k underspend against budget**

The forecast underspend against budget includes:

- £210k 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.
- There are also a number of small surpluses across minor budgets in this area.

## **6. Capital Programme**

### **6.1 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	Rephasing	Revised Budget	Forecast	Variance	
	£000	£000	£000	Outturn	£000	%
Housing & Community GF	5,986	(574)	5,412	5,999	587	9.80%
HRA Total	40,903	(2,916)	37,987	37,987	0	0.00%
<b>Grand Total</b>	<b>46,889</b>	<b>(3,490)</b>	<b>43,399</b>	<b>43,986</b>	<b>587</b>	<b>1.98%</b>

## 6.2 General Fund Major Variances

There is projected rephasing of £0.6m into 2020/21 on the General Fund, and a forecast overspend of £0.6m.

The projected rephasing to future years includes:

- Line 148: slippage of £245k on CCTV Equipment Refresh. Tenders have been received for this work, and are currently being evaluated. Expenditure will now take place from 2020/21.
- Line 159: slippage of £295k on Garage Development Programme. The wet weather during Quarter 3 has affected the level of work completed. Completion is expected in early 2020/21.

The forecast additional spend of £0.6m includes:

- Line 158: Affordable Housing Development Fund: additional grant expenditure of £0.6m is expected to fund Housing Association new build schemes which have been authorised by Cabinet. A supplementary budget of £0.6m has been requested, funded from retained receipts from the sale of Right to Buy properties, 141 receipts.

## 6.3 Housing Revenue Account Major Variances

There is projected rephasing on HRA of £2.9m and a forecast balanced outturn position.

- Line 201 and 205: £0.8m of slippage on Planned Fixed Expenditure. This represents 5% of the total budget across these lines, and has occurred due to an element of compliance work now taking place in 2020/21. Works are either in progress or have been awarded, but an element of the budget will now be spent in 2020/21.
- Line 206: £0.8m of slippage on Special Projects. This scheme is to create new units at three sheltered schemes. Delays have occurred in the planning process, which will push this expenditure into 2020/21. A review of revised/increased costs proposals from the contractor and possible client changes to final project

outcomes will require member sign off prior to final award and commencement on site.

- Line 210 and 220: These lines offset each other, as the budgets for land acquisitions are built in to the New Build General line. A virement of £900k has been requested in the Quarter 3 Cabinet report to re-allocate budget to the correct budget line.
- Line 211: slippage of £0.7m on Martindale. The site is progressing well and is still expected to complete in Quarter 2 of 2020/21, however the wet weather in Quarter 3 has impacted on the ability to make the scheme water tight, which has delayed internal works.
- Line 214: slippage of £0.2m on Stationers Place with underspend of £0.5m. The scheme has also been impacted by the wet weather in Quarter 3. Completion is expected in Quarter 1 of 2020/21.
- Line 216 and 217: 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.

## **7. Conclusions and recommendations**

- 7.1** As at Quarter 3 2019/20, there is a forecast pressure of £148k against General Fund budgets and a forecast surplus of £393k against Housing Revenue Account budgets.
- 7.2** As at Quarter 3 2019/20, against General Fund capital there is forecast budget rephasing of £0.6m and a forecast pressure of £0.6m. Against Housing Revenue Account capital schemes, budget rephasing of £2.9m is forecast and outturn is expected to be on budget.
- 7.3** Members are asked to note the financial position for the Council for 2019/20 as at Quarter 3.