



<b>Report for:</b>	<b>Housing and Community Overview and Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>9 September 2020</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Budget Monitoring Quarter 1 2020/21</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 2020/21 as at Quarter 1 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 2020/21 as at Quarter 1.
Corporate objectives:	Ensuring efficient, effective and modern service delivery.
Implications:	<u>Financial</u> This report outlines the financial position for the Council for 2020/21 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 2020/21 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

## 1. Executive Summary

- 1.1 General Fund revenue outturn – the Council is facing significant financial pressures as a result of the coronavirus pandemic. Overall in the General Fund a pressure of £5.8m is forecast, of which £5.5m results from the implications of coronavirus.

At this relatively early stage in the financial year, the majority of the forecast pressures are estimates of how budgets might be affected over the longer-term. As a result, the forecasts are subject to potentially significant change during the course of the financial year.

The forecasts do not include potential funding of income shortages announced by the government on 2<sup>nd</sup> July to fund 75% of income losses over 5% of budget. Further details on this funding are expected shortly, but it is estimated that circa £1.5m could be reimbursed to the Council under this scheme.

- 1.2 Housing Revenue Account outturn – The HRA is currently forecasting a surplus of c£900k. The major variances are an increase to the bad debt provision of £1.1m, and reduced expenditure of £2.2m on the repairs budgets.
- 1.3 Housing and Community General Fund Capital budgets are currently reporting to budget.
- 1.4 HRA Capital - £7.3m of slippage is expected in the HRA capital budgets, predominantly in Planned Fixed Expenditure where internal works have been reprogrammed to future years due to accessibility issues.

## 2. Introduction

- 2.1 The purpose of this report is to present the Council's forecast outturn for 2020/21 as at the 30 June 2020. The report covers the following budgets with associated appendices:
- General Fund - Appendix A. A pressure against budget of £5.8m is forecast.
  - Housing Revenue Account (HRA) - Appendix B. A surplus of £0.9m is forecast.

- Capital Programme - Appendix C. General Fund capital budgets are reporting on budget. In the HRA, budget re-phasing to future years of £7.3m is forecast, which is 21% of Housing and Community capital budgets. This is due to the necessary suspension of internal works under Covid-19.

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

Table 1	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Finance & Resources	11,988	14,545	2,557	21.3%
Housing & Community	1,686	2,670	984	58.4%
Strategic Planning and Environment	11,098	12,753	1,655	14.9%
<b>Total Operating Cost</b>	<b>24,772</b>	<b>29,968</b>	<b>5,196</b>	<b>21.0%</b>
Investment Property	(4,374)	(1,674)	2,700	(61.7%)
Core Funding	(20,399)	(22,480)	(2,081)	10.2%
<b>Contribution (to)/ from General Fund Working Balance</b>	<b>(1)</b>	<b>5,814</b>	<b>5,815</b>	

#### 3.4 Core Funding - £2m additional funding

Additional government grant income has been received as follows:

- £1.8m of Covid-19 support grant has been received from MHCLG. There is currently no indication that further funding will be received, other than reimbursement of 75% of sales, fees and charges income as mentioned in paragraph 1.1.
  - New burdens funding of £170k, to support administration of the Retail, Leisure and Hospitality Grants and Small Business Grants.
  - £72k of new burdens funding relating to the Revenues and Benefits service.
- 3.5 The following sections provide an analysis of the projected outturn and major budget variances for the Housing and Community Scrutiny area.

#### 4. Housing and Community

Table 2 Housing and Community	Current Budget	Forecast Outturn	Variance	
	£000	£000	£000	%
Employees	4,098	4,097	(1)	(0.0%)
Premises	1,003	1,094	91	9.1%
Transport	14	14	0	0.0%
Supplies & Services	1,148	1,163	15	1.3%
Transfer Payments	5	5	0	0.0%
Income	(5,680)	(4,801)	879	(15.5%)
Capital Charges	1,083	1,083	0	0.0%
Earmarked Reserves	15	15	0	0.0%
<b>Total</b>	<b>1,686</b>	<b>2,670</b>	<b>984</b>	<b>58.4%</b>

##### 4.1 Premises - £91k overspend against budget

Pressure of £65k from the cost of providing emergency Bed and Breakfast Accommodation to those at risk of sleeping rough during the Covid-19 pandemic.

##### 4.2 Income - £879k pressure against budget

Pressure of £900k in Garages income. Although the current void level is at 30.5%, it is envisaged that the void level will increase, as will the level of bad debt, as a result of the recession. There is a risk that garages may represent an early cost saving for a household in financial difficulties.

#### 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 2020/21 is a surplus of £887k. 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 2020/21 is confirmed later in the financial year.

##### 5.3 Repairs and Maintenance - £2.2m under budget

This variance has arisen due to the Covid-19 pandemic, as internal or intrusive works cannot take place under the prevailing circumstances. Workstreams have

been re-prioritised and non-essential internal works will be reduced for the first 6 months of year. At this stage, it is not expected that contractors will have the capacity to catch up later in the year with planned works.

#### 5.4 Provision for Bad Debts - £1.1m over budget

It is expected that an increase in arrears of rental income will be seen this financial year, due to an increasing number of tenants in financial hardship. At this stage, it is very difficult to predict the level of arrears, as more tenants are moving on to Universal Credit, which may cause an initial delay in rental income being received. The Income team are working very closely with tenants to support them during this time, to arrange payment terms and assist with accessing benefits if appropriate.

### 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 for Housing and Community Scrutiny area.

The current budget is the original budget approved by Cabinet in February 2020, plus approved amendments.

The 'rephasing' column refers to projects where expenditure is still expected to be incurred, but will now be in 2021/22 rather than 2020/21 ('slippage'), or conversely, where expenditure planned initially for 2021/22 has been incurred in 2020/21 ('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.

	Current Budget £000	Rephasing £000	Revised Budget £000	Forecast Outturn £000	Variance	
					£000	%
Housing & Community	3,913	0	3,913	3,913	0	0.00%
<b>Total</b>	<b>3,913</b>	<b>0</b>	<b>3,913</b>	<b>3,913</b>	<b>0</b>	<b>0.00%</b>
<b>HRA Total</b>	<b>30,538</b>	<b>(7,262)</b>	<b>23,276</b>	<b>23,574</b>	<b>298</b>	<b>0.98%</b>
<b>Grand Total</b>	<b>34,452</b>	<b>(7,262)</b>	<b>27,189</b>	<b>27,487</b>	<b>298</b>	<b>0.87%</b>

#### 6.2 General Fund Major Variances

General Fund capital budgets are currently reporting to budget.

#### 6.3 Housing Revenue Account Major Variances

There is estimated slippage of £7.3m in the HRA capital programme, and forecast additional spend of £0.3m.

This includes the following items:

- Lines 169-173: £6.4m of slippage on Property and Place budgets. Due to the Covid-19 pandemic, non-essential intrusive works such as kitchen and bathroom replacements are not able to be carried out in the first half of the year, apart from in void properties. Where possible external works are being re-prioritised such as roofing and estate improvements.
- Line 174: £0.85m of slippage on Special Projects. This scheme is for extension works to sheltered schemes including provision of additional units. The project has been subject to delay as the initial tender is no longer valid, and in the current Coronavirus environment additional works to sheltered accommodation is not considered wise. The scheme will be re-worked and a tender re-let in due course.
- Line 179: £0.2m under budget on Martindale. As the scheme nears completion, it is expected that the full contingency will not be required.
- Line 180: overspend of £0.4m on Stationers Place. This includes £0.2m of additional costs relating to safety measures around Covid-19, and change controls regarding drainage, planning and ground conditions.
- Line 182 Coniston Road: £0.8m of slippage. The tender period has been extended due to Covid-19 as a number of contractors had furloughed key staff. The tender award is now planned for September Cabinet rather than July.
- Line 184 St Margaret's Way: accelerated spend of £0.15m. Preparatory work on this site is ahead of schedule.
- Line 185 Paradise Fields: accelerated spend of £0.8m. This includes an overage payment on the site which was always known about and factored into budgets, however the payment is now expected earlier, as more clarity has been gained on the legalities of the overage.
- Line 192 Cherry Bounce: slippage of £0.1m. The scheme is still in its early stage and some slippage is foreseen.

## **7. Conclusions and recommendations**

- 7.1** As at Quarter 1 2020/21, there is a forecast pressure of £5.8m against General Fund budgets and a forecast surplus of £0.9m against Housing Revenue Account budgets.
- 7.2** As at Quarter 1 2020/21, against Housing Revenue Account capital schemes, budget rephasing of £7.3m is forecast and outturn is expected to be £0.3m over budget.
- 7.3** Members are asked to note the financial position for the Council for 2020/21 as at Quarter 1.