



Report for:	Housing and Community Overview and Scrutiny Committee
Date of meeting:	4 November 2020
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 2 2020/21
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 2 for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendations	That Committee note the financial position for the Council for 2020/21 as at Quarter 2.
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 MHCLG – Ministry of Housing, Communities and Local Government

1. Executive Summary

- 1.1 General Fund revenue outturn – the Council is facing significant financial pressures as a result of the coronavirus. Overall in the General Fund a pressure of £3.1m is forecast, of which £3.0m results from the implications of coronavirus. This compares to £2.5m outlined in the Covid 19 update reported to members in September.

As every month progresses the combination of additional government guidance and a further month of actual data allow the forecasts to be refined, particularly in the Council's key income streams. Forecasting the end of year position is particularly challenging this year, as there is still a great degree of uncertainty surrounding the second half of the year, with many factors outside of the Council's control.

- 1.2 Housing Revenue Account outturn – The HRA is currently forecasting a surplus of £0.1m. This is a reduced surplus from the figure of £0.9m which was reported at Quarter 1 as a number of new pressures have been identified.
- 1.3 Housing and Community General Fund Capital budgets are currently reporting broadly to budget.
- 1.4 HRA Capital - slippage of £1.04m is forecast with an underspend of £1.62m.

2. Introduction

- 2.1 The purpose of this report is to present the Council's forecast outturn for 2020/21 as at the 30 September 2020. The report covers the following budgets with associated appendices:

- General Fund - Appendix A. A pressure against budget of £3.1m is forecast.
- Housing Revenue Account (HRA) - Appendix B. A surplus of £0.1m is forecast.
- Capital Programme - Appendix C. General Fund capital budgets are broadly reporting to budget. Housing Revenue Account budgets are reporting slippage of £1.04m and an underspend of £1.62m against budget.

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	7,806	12,085	4,279	54.8%
Strategic Planning and Environment	10,906	12,919	2,013	18.5%
Housing & Community	1,686	2,076	390	23.1%
Total Operating Cost	20,398	27,080	6,682	32.8%
Core Funding	(20,399)	(23,937)	(3,538)	17.3%
Contribution (to)/ from General Fund Working Balance	(1)	3,143	3,144	

3.4 Core Funding - £3.5m additional funding

Additional government grant income has been received as follows:

- £2.05m of Covid-19 support grant has been received from MHCLG, including a 4th allocation of £232k announced in October 2020.
- New Burdens funding of £170k, to support additional pressures in Revenues and Benefits because of increased workload through the Coronavirus pandemic.
- £72k of New Burdens funding relating to welfare reform within the Revenues and Benefits service.

An additional £1.3m of funding is expected under the government's income guarantee scheme to reimburse local authorities for 75% of lost income after the first 5% of the budgeted total.

Recharge to the HRA – a surplus of £105k is forecast in the recharge to the HRA. This is predominantly due to additional premises insurance charges relating to HRA properties, which have arisen due to significant weather events over the summer.

Investment Income – pressure of £180k. A pressure of £180k is forecast in General Fund investment income budgets due to the reduction in interest rates announced by the government in March 2020.

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	4,131	4,130	(1)	(0.0%)
Premises	1,003	767	(236)	(23.5%)
Transport	14	14	0	0.0%
Supplies & Services	1,148	1,095	(53)	(4.6%)
Transfer Payments	5	2	(3)	(60.0%)
Income	(5,680)	(4,997)	683	(12.0%)
Capital Charges	1,083	1,083	0	0.0%
Earmarked Reserves	(18)	(18)	0	0.0%
Total	1,686	2,076	390	23.1%

4.1 Premises - £236k underspend against budget

An underspend of £350k is expected in the garages maintenance budget. An investment strategy is being prepared to evaluate how these revenue budgets can be best utilised in order to maximise the income stream. It is now unlikely that a significant amount of expenditure will be spent this financial year.

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 - £683k pressure against budget

Pressure of £600k 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 any economic downturn. 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 £129k. This a reduction on the forecast position expected at Quarter 1, which was £887k, as some new pressures have arisen which are detailed below. 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 Tenants' Charges – pressure of £0.2m

This variance has arisen in service charges income. Service charges are recalculated each year to ensure that the charge received by the tenant accurately reflects the service received. Where there are variations in cost to the tenant from one year to the next, the Council has committed to only pass on an increase of CPI +1% (in line with current rental policy).

5.4 Interest and Investment Income – pressure of £0.1m

A pressure of £100k is forecast against investment income budgets due to the reduction in interest rates announced by the government in March 2020.

5.5 Contribution Towards Expenditure – pressure of £0.1m

This income relates to property transactions such as the granting of lease extensions and easements. The budgeted target is not being achieved due to a lower volume of transactions.

5.6 Repairs and Maintenance - £2.1m 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.

5.7 Supervision and Management – pressure of £0.2m

This pressure has predominantly arisen due to higher than expected insurance costs, specifically related to Uninsured Losses claims due to weather events over the summer months.

5.8 Rent, Rates and Taxes – pressure of £0.1m

This pressure is due to Council Tax charges on empty HRA properties. Currently the level of voids in sheltered schemes is higher than anticipated which is leading to an additional cost.

5.9 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.

Table 3	Current Budget	Rephasing	Revised Budget	Forecast	Variance	
	£000	£000	£000	Outturn	£000	%
Housing & Community	3,913	10	3,923	3,867	(56)	-1.43%
Total	3,913	10	3,923	3,867	(56)	-1.43%
HRA Total	23,276	(1,036)	22,240	20,624	(1,615)	-6.94%
Grand Total	27,189	(1,026)	26,163	24,492	(1,671)	-6.15%

6.2 General Fund Major Variances

General Fund capital budgets are currently reporting broadly to budget.

6.3 Housing Revenue Account Major Variances

There is estimated slippage of £1.04m in the HRA capital programme, and forecast underspend of £1.62m. This includes the following items:

- Line 179: £1.32m under budget on Martindale. This scheme is expected to complete in Autumn 2020, and it is now possible to release the full contingency (c. £0.9m) as this has not been required. In addition, at Quarter 1 it was expected that additional costs could arise due to Covid-19. These costs have not been as significant as expected.
- Line 180: underspend of £0.44m on Stationers Place. The project is at the completion stage and contingency within the budget can now be released.
- Line 183 Coniston Road: £0.36m of slippage. The tender period for award of the main contract was extended due to Covid-19, as a number of contractors had furloughed key staff. The contract has now been awarded and a start on site is expected for Quarter 4 of 2020/21.
- Line 184 Eastwick Row: slippage of £0.65m. The tender process for this scheme was also impacted by Covid-19. The contract has now been awarded and a start on site anticipated for Quarter 4 2020/21.

7. Conclusions and recommendations

- 7.1** As at Quarter 2 2020/21, there is a forecast pressure of £3.1m against General Fund budgets and a forecast surplus of £0.1m against Housing Revenue Account budgets.
- 7.2** As at Quarter 2 2020/21, against Housing Revenue Account capital schemes, budget rephasing of £1.04m is forecast and outturn is expected to be £1.62m under budget.
- 7.3** Members are asked to note the financial position for the Council for 2020/21 as at Quarter 2.