



Report for:	Housing and Community Overview and Scrutiny Committee
Date of meeting:	3 March 2021
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 3 2020/21
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources Nigel Howcutt, Assistant Director (Finance & Resources) Fiona Jump, Group Manager – Financial Services
Purpose of report:	To provide details of the projected outturn for 2020/21 as at Quarter 3 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 3.
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 £3.2m is forecast, of which £2.9m results from the implications of coronavirus.
- 1.2 Housing Revenue Account outturn – the HRA is currently forecasting a surplus of £2.5m, an increase of £2.4m on the forecast surplus of £0.1m reported at Q2, due to a significant reduction in the anticipated spend on Repairs and Maintenance following new restrictions on access to properties and supply chain issues.
- 1.3 Housing and Community General Fund Capital budgets are currently reporting broadly to budget.
- 1.4 In HRA capital budgets, slippage of £1m is forecast with an underspend of £1.8m.

2. Introduction

- 2.1 The purpose of this report is to present the Council's forecast outturn for 2020/21 as at the 31 December 2020. The report covers the following budgets with associated appendices:
 - General Fund - Appendix A. A pressure against budget of £3.2m is forecast.
 - Housing Revenue Account (HRA) - Appendix B. A surplus of £2.5m is forecast.
 - Capital Programme - Appendix C. General Fund capital budgets are broadly reporting to budget. Housing Revenue Account budgets are reporting slippage of £1m and an underspend of £1.8m 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	8,006	12,710	4,704	58.8%
Strategic Planning and Environment	10,906	12,921	2,015	18.5%
Housing & Community	1,686	1,792	106	6.3%
Total Operating Cost	20,598	27,423	6,825	33.1%
Core Funding	(20,599)	(24,183)	(3,584)	17.4%
Contribution (to)/ from General Fund Working Balance	(1)	3,240	3,241	

Core Funding - £3.6m additional funding

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.
- £100k of New Burdens funding relating to welfare reform within the Revenues and Benefits service.

An additional £1.4m 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 £72k is forecast in the recharge to the HRA, which is predominantly due to additional premises insurance charges being passed back to the HRA, less property related costs borne by the HRA being passed back to the General Fund.

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.

3.4 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	4,159	4,167	8	0.2%
Premises	1,003	648	(355)	(35.4%)
Transport	14	12	(2)	(14.3%)
Supplies & Services	1,141	1,210	69	6.0%
Transfer Payments	5	3	(2)	(40.0%)
Income	(5,701)	(5,228)	473	(8.3%)
Capital Charges	1,083	1,083	0	0.0%
Earmarked Reserves	(18)	(103)	(85)	472.2%
Total	1,686	1,792	106	6.3%

4.1 Premises - £355k underspend against budget

An underspend of £380k 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 this year's budget will be utilised.

4.2 Income - £473k pressure against budget

Pressure of £430k 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 £2.5m. This an increase in the forecast position expected at Quarter 2, which was £129k, following a significant reduction in the forecast for Repairs and Maintenance expenditure due to the continued pressures imposed on the council and its supply chain partners from the Covid-19 pandemic. 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 - £4.2m under budget

This variance has increased further during the financial year, due to the ongoing restrictions imposed during the Covid-19 pandemic. It has not been possible for internal or intrusive works to take place under the prevailing circumstances. Workstreams have been re-prioritised where possible to carry out external works and to ensure that all essential, health and safety works are undertaken as required.

5.7 Supervision and Management – on budget

A pressure of £140k has arisen due to higher than expected insurance costs, specifically related to Uninsured Losses claims due to weather events over the summer months. This is being offset by savings in other budget lines, due to vacancies in the financial year, and budgets related to home-moving and decants not being spent.

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. It is difficult to predict the level of arrears, as this is very much linked to the extent of the economic downturn. More tenants have moved on to Universal Credit, which caused an initial delay in income being received at the beginning of the year, but the Income team have been very proactive in supporting tenants, 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 Outturn	Variance	
	£000	£000	£000	£000	£000	%
Housing & Community	4,843	25	4,868	4,809	(59)	-1.22%
Total	4,843	25	4,868	4,809	(59)	-1.22%
HRA Total	22,240	(998)	21,242	19,453	(1,788)	-8.04%
Grand Total	27,083	(973)	26,110	24,263	(1,847)	-6.82%

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 £1m in the HRA capital programme, and forecast underspend of £1.8m. This includes the following items:

- Line 169-174: slippage of £0.8m. In line with the revenue repairs and maintenance budgets, the capital maintenance programme is also expecting a reduction in expenditure following new restrictions announced in January.
- Line 179: £1.32m under budget on Martindale. The scheme is now complete and the full contingency (c. £0.9m) has now been released as this was not required. Potential additional costs due to Covid-19 have also not been as significant as expected.
- Line 180: underspend of £0.52m on Stationers Place. The project is now complete and contingency within the budget can now be released.
- Line 185: slippage of £0.1m on St Margaret's. The scheme is slightly delayed to due legislative changes as a result of the coronavirus pandemic.

- Lines 188-190 Randalls Ride, Garage Sites and Wilstone: these variances relate to the timing of land appropriation from the General Fund to the HRA. This can take place once planning permission has been granted. Randalls Ride and Wilstone are expected to take place earlier than previously anticipated whereas the Garage Sites are slightly more complex due to their location, and are now expected later than previously anticipated.

7. Conclusions and recommendations

- 7.1** As at Quarter 3 2020/21, there is a forecast pressure of £3.2m against General Fund budgets and a forecast surplus of £2.5m against Housing Revenue Account budgets.
- 7.2** As at Quarter 3 2020/21, against Housing Revenue Account capital schemes, budget rephasing of £1m is forecast and outturn is expected to be £1.8m under budget.
- 7.3** Members are asked to note the financial position for the Council for 2020/21 as at Quarter 3.