

ARUN DISTRICT COUNCIL BUDGET MONITORING

Financial Position as at end of December 2021

1. Introduction

- 1.1 This report sets out the Capital, Housing Revenue and General Fund Revenue budget performance to end of December 2021 and presents performance information for all aspects of financial risk such as income and specific savings targets.
- 1.2 Budget performance is presented after taking account of the following:
 - Spend to date excluding commitments against profiled budgets.
 - Consultation with managers and budget holders on service performance.
 - Budget savings identified where possible from existing budgets to cover additional expenditure.
- 1.3 Following the vaccine roll out programme, most Covid-19 restrictions had ended on 19 July 2021 and most of the Government support had been tailing off by 30 September 2021. The government has issued significant additional business support grants which the Council will be administering. No further general grants are anticipated for 2021/22 and, budget performance will need to be carefully monitored. The Council has set aside contingency funding which is anticipated to cover any further general fund budget pressures in the current year. The Government is continuing to monitor Covid-19 related expenditure, reductions in income and reserves.
- 1.4 From May 2021 a Committee Structure has been put in place. The Budget Monitoring Report has been completed on this basis.

2. General Fund Summary

- 2.1 The 2021/22 budget was approved by Full Council on 17 February 2021.
- 2.2 The General Fund performance to end of December 2021 against profiled budget is shown in the table below. The reporting threshold has been reviewed taking account of materiality and officer delegation levels and has been increased from +/- £20k to variances of +/- £50k more accurately reflect strategic risk to budget performance.

General Fund variance on profiled budget to end of December 2021			
Service controllable spend	Variance on Budget Sep £'000	Variance on Budget Dec £'000	Change £'000
Environment Committee			
Building Control - Fees & Charges	(78)	(85)	(7)
Car Parking - Fees & Charges	0	(58)	(58)
Cemeteries - Fees & Charges	(36)	(59)	(23)
The Arcade, Bognor Regis - Rent	69	129	60
Planning Committee			
Planning - Fees & Charges	(355)	(680)	(325)
Housing and Wellbeing Committee			
Council Tax - Court costs collection	(92)	(120)	(28)
Nightly paid accommodation	32	82	50
Leisure Centres - Freedom Leisure	310	73	(237)
Other Variances less than +/- 50k	(174)	(150)	25
Total Service controllable budget variance	(391)	(868)	(476)
Corporate controllable budget			
Establishment against savings target	30	(78)	(108)
Corporate Underspends	0	(59)	(59)
General Fund net expenditure variance against profiled budget	(403)	(1,005)	(601)
Covid-19 Income Compensation scheme 1st Quarter 2021-22	0	(173)	(173)
	(403)	(1,178)	(774)

2.3 Table 2.2 above shows a general net expenditure variance of (£1,178k) favourable against expected (profiled budget) to the end of December 2021. Variations on services first, followed by corporately controlled budgets.

2.4 The Council was awarded (£831k) of non-ringfenced Covid-19 government support in 2021/22. This was included in the original budget for 2021/22. No additional general grants are anticipated in 2021/22. The Council has been in receipt of New Burdens Funding which is either vired to service if required or made available as corporate underspend (2.8)

2.5 Environment Committee

2.5.1 Building Control fees and charges are currently (£85k) above profile. Work and income have been very buoyant over the last 12 months despite the vagaries of Covid-19 and its impact on the local construction economy. Notwithstanding this buoyancy, the Council has seen that new workflow has been subject to some ebbs and flows. This is put down to recent issues such as sharply increasing building materials costs and local labour shortages leading to higher build costs. It would be fair to say this has had some softening on customers' propensity to undertake Building Control work.

2.5.2 Income on Car Parks is currently (£58k) above profile. This is largely due to visitors to the seasonal car parks because of the continuing pandemic. It is worth noting that St. Martin's car park in Littlehampton has a Covid-19 Test Site occupying a small part of the car park and the Ice Rink at the Regis Centre car park in Bognor Regis is taking up 93 out of the 173 parking bays.

2.5.3 Income on Cemeteries is currently (£59k) above profile due in part to an increase in demand for burial of cremated remains and the catch up of delayed burials during the lockdown periods.

2.5.4 Income from The Arcade, Bognor Regis is £129k below current expectations. This is largely due to current rent arrears of £115k with other small variances making up the remaining £14k (vacancies less additional income from previously vacant units). It should be noted that prior year arrears are £133k (previously £192k in September 2021).

2.6 Planning Policy Committee

2.6.1 Currently, planning income is (£680k) above profile. This is largely due to income from three commercial and ten residential planning applications over £30k each in year to date. At present, £90k has not yet been validated and therefore, could still be refundable.

2.7 Housing and Well Being Committee

2.7.1 Council Tax court costs received to date are (£120k) above the full year profile. This is largely due to the backlog of court cases from the previous year.

2.7.2 To date, the overall spending variance for nightly paid accommodation and homelessness is £82k above profile.

The £82k over profile consists of a number of items, shown below:

	£'000
Cost of nightly paid accommodation	288
Remaining Ex-offenders grant	(30)
Prevention Covid-19 grant received	(170)
Underspend on flex grant	(22)
Unanticipated spend on COVID items	26
Other items	(10)
Total over/(under) spend	82

2.7.3 Demand for emergency accommodation continues, with many clients losing their homes as a result of landlords seeking to regain possession of their properties. The number of households placed is holding steady, but the length of stay is increasing due to moving on options being more challenging to source. Other opportunities are being explored as to how we can influence this moving forward.

2.7.4 In conjunction with the above we are continuing to access and bid for additional in year funding opportunities that become available to help alleviate some of the pressures the council is facing.

2.7.5 Since the last report and due to the increase in Covid-19 cases, a further grant of £170k was received in December 2021 to assist the most vulnerable with rent arrears and reduce the risk of eviction. One of the conditions of the grant is that it cannot be put towards temporary accommodation.

2.7.6 The recovery continues to be challenging for Freedom Leisure (FL), the Council's leisure provider and income levels are anticipated to be at their pre-lockdown level by the financial year end. No direct financial support has been required in the current year. The Council successfully applied to the Government's Sales, Fees and Charges compensation scheme for the first quarter of 2021-22. The scheme covers 75% less deductibles, leaving a shortfall of £73k for the first quarter. The remaining Leisure Management fee which has been deferred to help with Freedom Leisure's cashflow will start to be collected from January 2022. A report will be presented to the Housing and Wellbeing committee on 17 March 2022 providing a further update to members.

2.8 Corporate Underspend

2.8.1 The corporate underspend relates to identified unrequired contingency and corporately controlled budgets and Government grants that are available for potential resource allocation. Budgets are set based on assumptions about service delivery, which sometimes result in a different actual budget requirement resulting in surplus budget. As these are identified, the surplus budget is vired to a corporate underspend account and made available for resource re-allocation. The advantage of this is a reduction in the need for supplementary estimates and managing service delivery within the approved budget and Medium-Term Financial Strategy (MTFS). Senior Management Team (SMT) are expected to exercise their discretion in managing their budgets responsibly and prudently and wherever possible meeting additional cost pressures by virement from within existing budgets. The corporate net underspend is £59k at the end of December 2021 and the breakdown is shown in the following table:

Corporate Underspends Confirmed December 2021			
	Sep 21	Dec 21	Change
	£'000	£'000	£'000
Underspends from services	0	10	10
Additional investment income	75	97	22
Underspends from contingencies/miscellaneous	0	61	61
Additional non-ringfenced grants	166	166	0
Total identified corporate underspend	241	334	93
Virements actioned/earmarked from corporate underspend	(113)	(275)	(162)
Corporate Underspends December 2021 (Net)	128	59	(69)

2.8.2 There has been an additional £93k contribution to the corporate underspends.

2.8.3 The corporate underspend has so far been used to fund the following items:

	£'000
Trisanto Update (Arun District Council's property company)	35
Economic Regeneration Project Delivery Role	30
Coast Protection Update	30
Palmer Road Community Sports Hub Review	18
Election iPads (Modern Democracy)	72
A27/Ford Road Junction Study	15
Levelling up fund delivery support	55
Law & Governance Recruitment Advertising	20
Total	275

2.8.4 The Group Head of Council Advice and Monitoring Officer has tendered their notice and will leave the Council's employment at the end of January 2022. Recruitment to the post has proved difficult in the past. The role will be advertised and the process will likely continue into early 2022/23. The Council is legally obliged to have a Monitoring Officer in place. The CEO has authorised engagement of an Interim Monitoring Officer while the permanent recruitment progresses and engage a specialist recruitment company to find a permanent replacement. The net additional costs (net of establishment savings) are anticipated to be £53.1k (spread over the remainder of 2021/22 and 2022/23). This overspend can be funded from anticipated Corporate Underspend and Establishment savings (see paragraph 4.2 below).

3. Externally Funded Services

3.1 Arun District Council hosts several services under its stewardship as the Accountable Body. Whilst these services are entirely externally funded, Arun District Council has service provision interests. These services are the Wellbeing team and Car Parking enforcement. There are no budgetary concerns to report on these services.

4. Establishment

4.1 Each year a vacancy management target is included within the budget to ensure that the establishment complement is scrutinised for efficiency and reflects the needs of on-going service delivery changes. For the Financial Year 2021/22 the target is set at £500k.

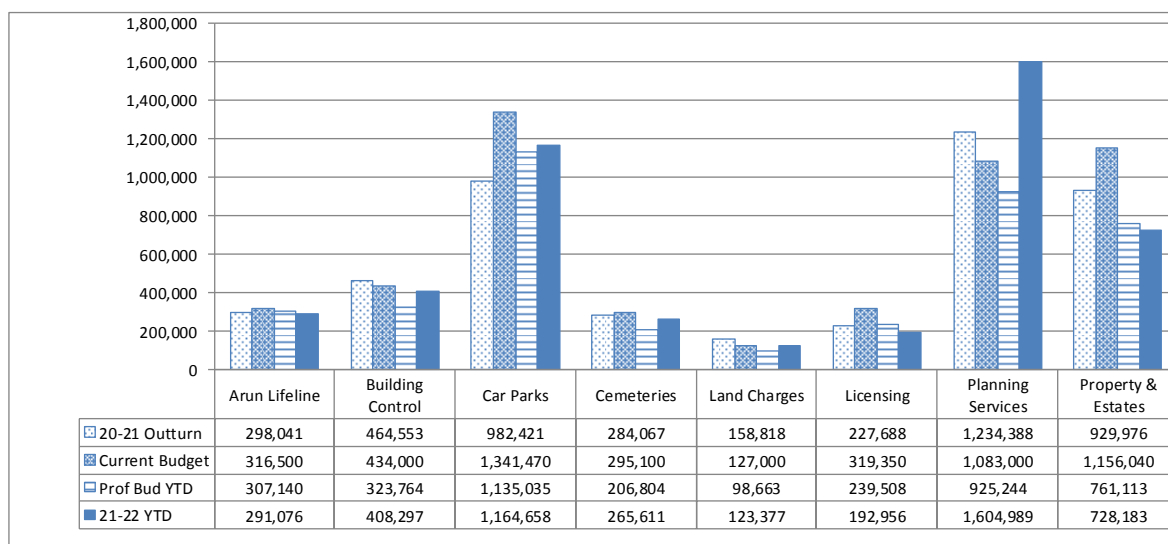
4.2 The current vacancy allowance is (£78k) above profile to December 2021 (£32k above profile to September 2021), however, this allows for the estimated backpay in relation to the anticipated minimum pay award of £167k and £33k to cover the additional cost of an Interim Monitoring Officer. The latest situation is that the National Employers for local government services made a final pay offer to the unions representing the main local government NJC workforce of 1.75%. The current offer has been rejected by the unions so the final figure could be higher. The rejection of the offer could lead to a dispute which will further delay the implementation. This will make budget monitoring more difficult.

5. Income

5.1 Income from fees, charges and rents are included within net cost of service. In total, the original budget amounted to an overall financing of £5.085m. However, since the original budget was approved, a reduction was made to a revised figure of £5.072m using contingency budget. This was because of an agreed reduction for customers with Beach Huts due to lockdown measures during April 2020 to June 2020. Income is a key risk area to the budget as it is predominantly externally influenced, without direct link to service cost and each source is unique. Service income has reduced significantly due to the lockdown and subsequent social distancing measures.

5.2 General Fund income is currently overachieving by (£782k), largely due to additional Building Control income (£85k - paragraph 2.6.1) and Planning income (£680k - paragraph 2.7.1).

5.3 The graph below shows income by source and value, achievement to end of December 2021 against profiled budget, full year budget and 2020/21 outturn.



5.4 A claim has been submitted to DLUHC for (£173k) for Sales, Fees and Charges Compensation for Quarter 1 of 2021/22. The funds will be received later in the year. The scheme is ceasing, and it is likely that no further support will be receivable. The claim is subject to audit.

6. Estimated Outturn

- 6.1 The table below shows the approved supplementary estimates up to 31 December 2021, which will be funded from balances:

Reconciliation of Supplementary Approvals		
	Estimates	Total
	£'000	£'000
Fitzalan Road acoustic fencing FC 14/07/2021	25	
Planning Appeal P/58/19/PL	26	
Planning Appeal BN/142/20/OUT	50	
West Bank Strategic Allocation FC 15/09/2021	50	
Recruitment of permanent CEO	30	
Recruitment of an interim CEO	<u>97</u>	
Total Supplementary Approvals to end of December 2021		278

- 6.2 The change in the planned original budget General Fund Reserve movement due to budget performance to end of December 2021 is shown in the table below:

General Fund Reserve Movement estimated outturn 2021/22	Original Budget	Current Budget
	£'000	£'000
Net Budget Requirement	18,122	19,704
Financed by:		
Government Grants and Retained Business Rates	(1,457)	(2,761)
Council Tax	<u>(16,665)</u>	<u>(16,665)</u>
Taken From / (Added to) Balances	(0)	278
General Fund Balance 01 April 2021	7,076	7,076
Budgeted draw down from GF Reserve	0	(278)
Current Budget Variation Estimated Outturn 2021/22	<u>0</u>	<u>1,178</u>
General Fund Balance 31 March 2022	7,076	7,976

This result is an estimated General Fund Balance of £8.0m at the end of the financial year provided that the current favourable budget profile variations continue. A review of reserve balances will be carried out before the end of the financial year. A further update will be provided in the budget 2022/23 report to be considered at Policy and Finance Committee on 10 February 2022.

7. Earmarked Reserves

- 7.1 Earmarked reserves are amounts set aside from General Fund Reserve to provide financing for specific future expenditure plans and held alongside the General Fund for drawdown as required under the scheme of virement. These reserves are to be reviewed regularly to ensure that they are being drawn down as appropriate or returned to General Fund reserve.
- 7.2 The Council held £29.162m in earmarked reserves at 1 April 2021. This balance is anticipated to reduce to £13.829m at the end of the financial year. The reduction is mainly due to s31 grants that were received in 2020/21 as compensation for business rate discounts having an adverse effect on the collection fund in the current year being applied. The Council earmarked this funding as the General Fund Balance would have been significantly overstated.
- 7.3 To mitigate covid related financial risk £538k was earmarked for covid catch up work at the end of 2020/2021 and it is unlikely that the full sum will be required in 2021/22. To date £125k has been drawn down with an additional draw down of £154k anticipated before the end of the year. The remaining balance of £259k will result in some savings. For example, the review of the corporate complaints process has been completed and the decision has been made to appoint a Complaints Manager to manage the process. This will lead to significant service improvements. The post will be funded through resource switching and is subject to approval through the budget 2022/23 process. The £51k earmarked for a part time temporary resource will not be required. The additional Environmental Health officer time, temporary toilets at Littlehampton and Bognor Regis and the Emergency Out of Hours scheme are funded from COMF grant. However, there has been some virement to allow for additional costs pressures in other areas.
- 7.4 The contingency budget for 2021/22 includes £538k for Covid Support. Although it is difficult to forecast with the continuing effect of covid and receipt of additional grant funding in areas like Housing and Revenues and Benefits. Corporate income levels have held up but there are budget pressures in relation to Homelessness and Leisure Management (2.7.3 and 2.7.6). It is therefore unlikely that the full amount of the contingency will be required.
- 7.5 It should be noted that the budget for 2022/23 does not contain any general contingency items in relation to the pandemic. The Covid reserve and contingency budget (7.3 above) will be analysed as part of the year end process to ensure that there is adequate funding available in 2022/23. The Council's establishment is under significant pressure with problems in recruitment in a number of areas

8. Housing Revenue Account (HRA)

- 8.1 The estimated reserve movement for the HRA against original budget and the current estimated outturn reserve movement due to supplementary estimates and budget performance to end of December 2021 is shown in the table below:

Housing Revenue Account Reserve Movement estimated outturn 2021/22	Original Budget £'000	Current Budget £'000
HRA Balance 01 April 2021	8,081	8,835
Budgeted deficit for 2021/22	(1,967)	(1,966)
Capital Slippage from previous year		(1,363)
Current Budget Variation Estimated Outturn 2021/22 (YTD)		(583)
HRA Balance 31 March 2022	6,114	4,923

* The current budget shows the actual The HRA balance 01 April 2021 .

- 8.2 The Capital slippage of £1.363m from 2020/21 relates to £363k for a Housing IT system and £1m in the Housing improvement programme. This is as a result of delayed or deferred works due to the pandemic.
- 8.3 Repairs and maintenance (planned and responsive) expenditure has a current over commitment of £448k against profiled budget. At this point, it is difficult to forecast a full year position and there have been problems receiving commitment information from the new responsive and voids contractor.
- 8.4 HRA income consists almost entirely of rents. Current projections forecast rental income in line with the budget forecast.
- 8.5 Loss of income due to Right to Buy (RTB) disposals and void dwellings remain a key financial risk. The estimated number of RTB disposals for 2021/22 was set at 12 (there were 4 RTB disposals in 2020/21 and 4 disposals in 2019/20). To date there has been 10 disposals in the current year.
- 8.6 Details of the HRA capital, improvements and repairs programmes are shown in Paragraph 9 and 10.

9. Capital Receipts

- 9.1 There have been major changes since the 2012 retention agreement from 1 April 2021. These changes are listed below:
- Pooling of RTB receipts will take place annually. This replaces the former quarterly system deadlines for spending retained receipts and will also be calculated on an annual basis.
 - The timeframe local authorities must spend new and existing Right to Buy receipts has been extended from 3 years to 5 years.
 - The percentage cost of a new dwelling that local authorities can fund using Right to Buy receipts changed from 30% to 40%. (i.e. Arun will now only have to fund 60% rather than 70%). Every £40 of 1-4-1 receipts generated by the sale of right to buys would need to be matched with £60 of Council funding (£30/£70 previously).

- A cap will be introduced on the use of Right to Buy receipts for acquisitions to help drive new supply with effect from 1 April 2022 and phased in over 2022-23 to 2024-25. Its aim is to increase dwelling supply in the District by limiting property acquisitions.

The table below shows Arun's investment requirements under the above terms:

	£'000
"1 for 1" receipts accrued to 31 Mar 2021	5,597
"1 for 1" receipts accrued from 1 April 2021*	513
Arun's 70% contribution (70/30 X £4,906k)	11,447
Arun's 60% contribution (60/40 X £1,004k) change from 1 April 2021*	<u>1,805</u>
Total investment requirement	19,362
Less amount already invested to 31 December 2021	-19,536
Remaining investment requirement	<u>0</u>
By 31/03/2027	0
Total	<u>0</u>
* estimated	

- 9.2 Due to major changes to the pooling arrangements from 01 April 2021 the above estimated figures (marked with a *) cannot be agreed with the DLUHC until April 2022. Returns and payments to the DLUHC have moved from quarterly to annually and therefore, the above figures are based on the interpretation of the new agreement and information provided.
- 9.3 All 1-4-1 receipts carried forward on 1 April 2021 and estimated 1-4-1 receipts 2021/22 up to the end of December 2021 have been committed.
- 9.4 One of the key priorities of Arun's HRA Business Plan is a development programme to enable the delivery of an additional 250 new Council dwellings over a ten-year period.
- 9.5 In order to protect the Council's investment in the provision of new social housing, exemption from capital receipt pooling has been obtained in respect of all Arun's new dwellings in the current investment programme. This will enable Arun to retain 100% of the receipts from any future right to buy disposals in respect of these new dwellings (although it is worth noting that these receipts will be net of any discount entitlement).

10. Capital, Asset Management and Other Project Programmes

- 10.1 The Council's budget for 2021/22 included several projects which although included in the Capital budget for project management and monitoring purposes cannot, under current accounting regulations, be charged to the capital accounts.

- 10.2 The capital and projects budget will continue to be monitored on a corporate level as this provides better information and control of the budget.

Asset management and other projects monitoring - December 2021

	Original Budget £'000	Current Budget £'000	Actual to date £'000
General Fund			
<i>Corporate Support</i>			
Computer Services	120	500	80
Storage Area Network (SAN)	-	170	164
Digital Strategy	-	150	-
Arun Improvement Programme (AIP)	-	96	-
Web/Integration	-	91	58
E5 upgrade	-	32	33
<i>Economy</i>			
L'ton Public Realm Phases 1-2	-	2,230	155
L'ton Public Realm Phase 3	-	887	156
Asset Management	791	1,735	305
Works to Public Conveniences	150	439	10
Cemetery Buildings & Walls	-	148	39
Fitzleet Car Park	266	382	18
Car Parks Resurfacing	165	352	141
Reactive Maintenance	210	210	116
<i>Environment and Neighbourhood Services</i>			
Disabled Facilities Grants	1,400	1,400	973
Parks Chipper	26	26	-
Keystone Centre	-	250	-
Sunken Gardens	-	500	15
Place St. Maur	-	1,776	348
Play Areas	100	88	-
Canada Road Skate Park	-	83	77
Goldcrest Play Area	-	17	18
Rose Green Play Area	-	10	11
Trinity Way	-	20	-
Hunters Mews	-	19	-
Avisford MUGA	-	40	-
Lashmar Play Area	-	50	-
BR Seafront Gym	-	30	-
<i>Residential and Wellbeing Services</i>			
Littlehampton Wave	-	113	13
Total General Fund	3,228	11,844	2,730

Housing Revenue Account

Residential and Wellbeing Services

Stock Development	100	5,299	14
Summer Lane, Pagham	-	3,444	1,347
Cinders Nursery, Yapton	-	2,507	1,169
Chichester Road, Bognor Regis	-	1,227	187
Canada Rd, Ellis Close & Westloats Lane	-	2,468	7
38 Arundel Road Conversion	-	187	183
Housing IT	-	-	-
Civica Implementation	-	363	130
Housing Improvements	688	738	255
Domestic Boiler Installations	525	525	326
Commercial Boiler Rooms	100	250	231
Reroofing Programme	250	250	139
Kitchen & Bathroom Replacement Programme	769	519	134
Fire Compliance	300	750	873
Windows & Doors	1,650	2,050	990
Aids & Adaptations	350	550	322
Housing Repairs	1,887	1,887	1,807
Day to Day General Repairs	1,250	1,250	1,592
Voids	750	750	705
Total Housing Revenue Account	8,619	25,014	10,411
Total Programme	11,847	36,858	13,141

Please note Housing Improvements, Adaptations & Repairs expenditure includes QL commitments taken from the Housing Mgmt. System

Total programme comprises Capital, Asset Management and other projects budget plus Housing Repairs. Although Housing Repairs forms part of the HRA revenue budget it is included here because of the close link with the Housing Improvements Programme.

General Fund

- 10.3 The Council is introducing Microsoft Azure. Azure is Microsoft's public cloud computing platform, which will provide a range of cloud services to the Council to reduce reliance on its physical data centre at the Civic Centre. Therefore, the Computer Services budget has been reduced by £167.5k to allow budget provision for Azure in the ICT ongoing revenue budget from 2022/23. £28k has been retained in the budget for any costs incurred this year. A further reduction of £41k has been made relating to the Telephony System as the full budget provision for this project has been made in 2022-23 budget.
- 10.4 Approximately, £275k of the current budget will be funding projects in 2022/23, including core switch, further digital strategy. Some projects have been delayed this year because of the potential impact homeworking has had on the Council's IT requirements.

- 10.5 The Arun Improvement Programme budget has been reduced by £61k, this was the balance from the environmental health system implementation and was being retained until such time it was required in the Environmental Health revenue budget for software maintenance. This has been included in the revenue budget for 2022/23.
- 10.6 The Asset Management budget has been reduced by £412k to help fund the 2022-23 programme. Littlehampton Chapel roof works are due to commence in January 2022 and resurfacing works at Fitzleet multistorey car park are starting in February 2022. Car Park resurfacing works have already been undertaken at St. Martins, Anchor Springs, Shrubbs Field and Culver Road, with orders placed for other car parks totalling £130k, including Regis Centre and Hothamton in Bognor Regis. The tender for Avisford Park toilets refurbishment was approved in October 2021 at a cost of £148k with the start date for these works not yet confirmed. The Bedford Street toilet refurbishment procurement is going to Committee on the 19 January 2022 with a project estimate of £250k, however, this will not be delivered until 2022-23.
- 10.7 Works at Place St. Maur are underway and are due to complete by March 2022. This scheme is funded by a grant from the Getting Building Fund and Arun District Council.
- 10.8 Play Areas have been delivered at Canada Road Arundel, Goldcrest Avenue Littlehampton and Rose Green Aldwick already this year. Orders have been raised to replace play areas at:

Trinity Way	Littlehampton
Hunters Mews	Walberton
Lashmar Recreation Ground	East Preston
Avisford Park	Aldwick

In addition, a multiuse play area with replacements and additions, including gym equipment will be installed along Bognor Regis seafront.

Housing Revenue Account

- 10.9 Nothing further to report this quarter.

11. Section 106 sums

- 11.1 Section 106 (s106) agreements, also known as planning obligations, are agreements between developers and Arun District Council as the local planning authority that are negotiated as part of a condition of planning consent. The Town and Country Planning Act 1990 enables Arun to negotiate contributions towards a range of infrastructure and services, such as community facilities, public open space, transport improvements and/or affordable housing.
- 11.2 The Council currently holds £9.053m on deposit for s106 agreements, plus £3.663m is held on behalf of other organisations (e.g. NHS and WSCC). The total held on deposit is £12.716m.

Section 106 sums held on deposit as at 31 December 2021

	Community						Total
	Affordable Housing	Facilities and other	Play Grounds	Open Spaces	Arun Total	Non Arun	
	£'000	£'000	£'000	£'000	£'000	£'000	
20/21 Balance b/fwd	3,628	4,912	576	122	9,238	3,268	12,506
21/22 Movement	(553)	195	140	33	(185)	395	210
	3,075	5,107	716	155	9,053	3,663	12,716

11.3 Most s106 sums are time limited in that the Council is required, under the terms of the agreement to spend the amount received on the project specified in the agreement within a set time scale. It should be noted that there are currently £62k of receipts that are required to be spent within the next 5 years.

11.4 Since the introduction of the Community Infrastructure Levy in 2020-21, demand notices have been issued totalling £639k. This figure includes 5% administration contribution for Arun in the sum of £15k for 2020-21 and £17k for 2021-22 to date.

12. Cash Flow and Treasury Management

12.1 As at December 2021 it is estimated that by year end the budgeted investment returns will exceed original budget by approximately £100k. This is largely due to higher than expected returns on the CCLA diversified fund (£2m invested). During budget setting, it was assumed that the average principal sums would be around £52m, this is now around £78m resulting in additional interest income. This is due to the following reasons:

- Budget was based around the Medium-Term Financial Strategy 2020/21;
- Unused Covid-19 grant funding has not been repaid to government;
- House building programme is delayed; and
- General Fund capital/asset management slippage.

13. Risk Analysis

13.1 Corporate and Operational risk registers are reviewed and updated for financial implications as part of the Council's risk management process on the criteria of probability of occurrence and materiality of impact upon balances. The most significant risk, which has been highlighted throughout the report is the additional service expenditure combined with loss of income and the effect on the Collection Fund (Council Tax and Retained Business Rates which will have significant effects from 2021/22) due to the ongoing Covid-19 pandemic.

13.2 Other risks which are inherent within the overall budget are analysed below.

13.3 As a result of courts being closed during the Covid-19 outbreak, implementation of Universal Credits and inability to secure debts with DWP it is proving more difficult to recover Housing Benefit overpayments. This is likely to continue until backlogs are reduced.

- 13.4 Due to the United Kingdom leaving the EU on 31 January 2021, the Covid-19 pandemic and extensive forest fires throughout North America and Europe, certain commodities and labour are in short supply. This is likely to have an ongoing impact on the Council's capital programmes and housing repairs budget.
- 13.5 As the DLUHC has changed the capital receipt pooling arrangements, with a cap being introduced on Right to Buy receipts for acquisitions with effect from 01 April 2022, going forward, it is important that the Council has a robust HRA Business Plan to meet the new requirements. This will prevent the Council having to repay to the Government some or all of these "1 for 1" receipts, together with interest at a penalty rate of base rate (currently 0.25%) plus 4%.
- 13.6 The Council's External Auditors, Ernst & Young LLP, have continued to charge the same fees since 2019/20 based on the current Public Sector Audit Appointments Ltd (PSAA) scale fee as no final decision has been made on the rebasing. Depending on the outcome, the Council could be charged up to £57k for previous years' audit services.

14. Conclusions and Recommendations

- 14.1 The budget monitoring to 31 December 2021 indicates that for 2021/22 the Council will:
- Significantly underspend compared to the General Fund Revenue budget;
 - Significantly overspend to the Housing Revenue Account budget, should the current spending profile on repairs and maintenance continue;
 - Significantly underspend on its Capital, Asset Management and Projects;
 - Where it becomes clear that any budget provision is no longer required, it will be removed in future budgets.
- 14.2 It is recommended that the Policy and Finance Committee approve that:
- Earmarked reserves are reviewed before the end of the financial year as per previous policy to ensure that they are available to fund future years expenditure or returned to the General Fund if no longer required
 - The Housing Revenue Account repairs and maintenance (Planned and Responsive) budget continues to be closely monitored to ensure that any necessary corrective action is taken if required.