

# ARUN DISTRICT COUNCIL BUDGET MONITORING

## Financial Position as at end of June 2022

### 1. Introduction

- 1.1 This report sets out the Capital, Housing Revenue and General Fund Revenue budget performance to end of June 2022 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.

### 2. General Fund Summary

- 2.1 The 2022/23 budget was approved by Full Council on 23 February 2022.
- 2.2 The General Fund performance to end of June 2022 against profiled budget is shown in the table below. The table presents only the variances on budget in excess of +/- £50k.

<b>General Fund variance on profiled budget to end of June 2022</b>	
<b>Service controllable spend</b>	<b>Variance on Budget Jun £'000</b>
<b>Housing and Wellbeing Committee</b>	
Nightly paid accommodation and homelessness (see 2.5.1)	190
<b>Other Variances less than +/- 50k</b>	(54)
<b>Total Service controllable budget variance</b>	<b>136</b>
<b>Corporate controllable budget</b>	
Establishment against savings target	(50)
Corporate Underspends	(30)
<b>General Fund net expenditure variance against profiled budget</b>	<b>56</b>

- 2.3 Table 2.2 above shows a general net expenditure variance of £56k unfavourable profiled budget to the end of June 2022. Variations are on services first, followed by corporately controlled budgets.
- 2.4 The Council has not been awarded any special non-ringfenced grants in 2022/23 for Covid-19 (2021/22 £844k).

## 2.5 Housing and Wellbeing Committee

- 2.5.1 To date, the overall spending variance for nightly paid accommodation and homelessness is £190k above profile.
- 2.5.2 The number of placements in emergency accommodation continues to increase, albeit slowly. Access to private owned nightly paid accommodation is very limited at present which means that there is a need to use hotels, which are costly, particularly during the warmer months. There are several void properties within Arun's housing stock which are due to have works completed in the next few weeks which will reduce the need to use holiday type accommodation.
- 2.5.3 At present, the expected use of government grants is below the expected profile. A summary is shown below, which is not included in the assessment of under/overspend as it is anticipated all available grant funding will be applied by 31 March 2023.

Description	£'000
Ex-offender's grants	(42)
Prevention grants	(32)
Rough sleeping grants	(342)
Domestic abuse grants	(32)
Other	(4)
Total	(452)

- 2.5.4 For Rough Sleeper Initiatives, a 3 year settlement, Arun District Council has successfully secured £1.714m. Plans are progressing well with implementing new ways to prevent homelessness for single people and support for verified rough sleepers.
- 2.5.5 £824k has been secured in Homelessness Prevention Grant which is a 1 year settlement. The grant is to prevent and relieve homelessness wherever possible. For example, by providing help with deposits, rent in advance and other landlord incentives.
- 2.5.6 Accommodation for Ex-Offenders has been carried forward from 2021/22 funding with an extra £9k being given to keep the scheme running until September 2022.
- 2.5.7 The impact of the pandemic is still present with the loss of assured shorthold tenancies being the highest cause of homelessness in the district. The lifting of the ban on evictions in June 2021 is still being felt with due to cases taking time to work through the courts. Added to this are changes within the housing market. Increase in property prices has led to landlords selling their properties or raising rents to levels beyond people who are on low incomes or benefits.

## 2.6 Corporate Underspend

2.6.1 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 £30k at the end of June 2022 and the breakdown is shown in the following table:

<b>Corporate Underspends Confirmed June 2022</b>	
	<b>Jun 22</b>
	<b>£'000</b>
Additional investment income	100
Underspends from contingencies/miscellaneous	68
Total identified corporate underspend	<u>168</u>
Virements actioned/earmarked from corporate underspend	(138)
Corporate Underspends June 2022 (Net)	<u>30</u>

2.6.2 There has been a £168k contribution to the corporate underspends:

<b>Description</b>	<b>£'000</b>
Investment income – increase in interest rates	100
Rates – Public Conveniences now outside NDR	68
<b>Total</b>	<b>168</b>

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

<b>Description</b>	<b>£'000</b>
Regeneration Specialist	138
<b>Total</b>	<b>138</b>

### **3. Externally Funded Services**

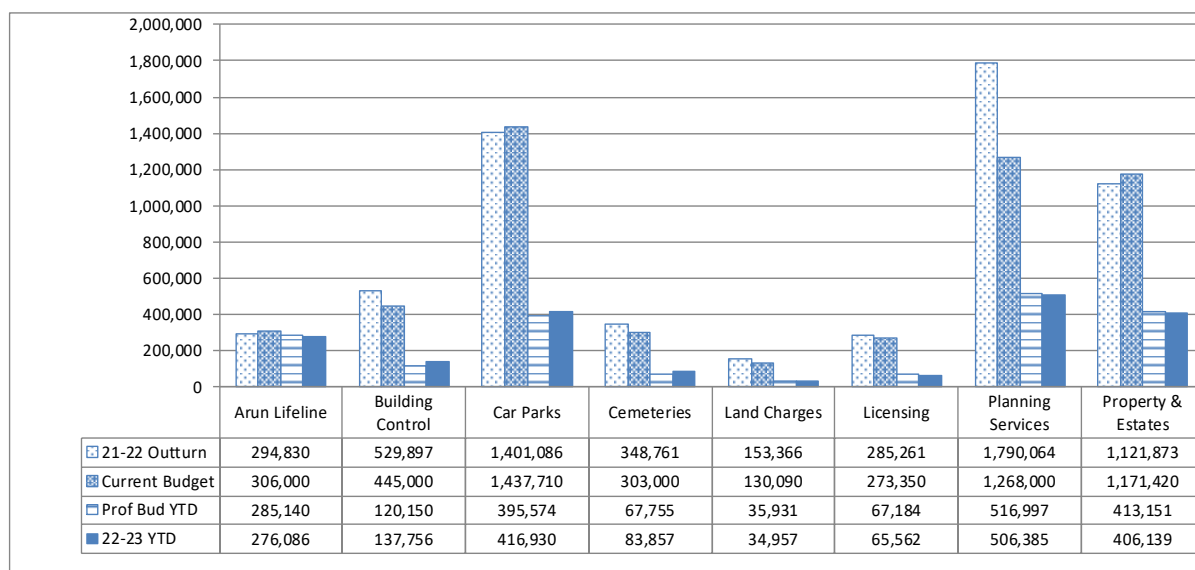
3.1 Arun District Council hosts several services under its stewardship as the Accountable Body. Whilst these services are entirely externally funded, Arun District Council has service provision interests. These services are the Wellbeing team and Car Parking enforcement. There are no budgetary concerns 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 2022/23 the target is set at £500k.
- 4.2 The current vacancy allowance is (£50k) above profile to June 2022. This includes the recent final pay offer by the National Employers for local government services of £1,925 for every employee. The original budget included provision for a 2.5% pay award. 0.5% was added to the HR Reserve for anticipated inflationary pressure at 31 March 2022. It is expected further negotiations will take place before a pay award is agreed and this will be updated in future reports.

## 5. Income

- 5.1 Income from fees, charges and rents are included within net cost of service. In total this amounts to an overall financing of £5.335 million. 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.
- 5.2 General Fund income is currently overachieving by (£26k).
- 5.3 The graph below shows income by source and value, achievement to end of June 2022 against profiled budget, full year budget and 2022/23 outturn.



## 6. Estimated Outturn

- 6.1 There were 3 supplementary estimates waiting for approval at Full Council on 13 July 2022. These are listed below:

Description	£'000
Defending planning appeals	100
Combined Cleansing Contract	180
Continuing weekly refuse collections	109
<b>Total</b>	<b>389</b>

- 6.2 The change in planned original budget General Fund Reserve movement due to budget performance to end of June 2022 is shown in the table below:

General Fund Reserve Movement estimated outturn 2022/23	Original Budget £'000	Current Budget £'000
<b>Net Budget Requirement</b>	<b>22,132</b>	<b>22,128</b>
<b>Financed by:</b>		
Government Grants and Retained Business Rates	(4,866)	(4,962)
Council Tax	(17,266)	(17,266)
<b>Taken From / (Added to) Balances</b>	<b>0</b>	<b>(100)</b>
<b>General Fund Balance 01 April 2022</b>	<b>5,000</b>	<b>5,000</b>
Budgeted draw down from GF Reserve	0	(389)
Current Budget Variation Estimated Outturn 2022/23	0	(56)
<b>General Fund Balance 31 March 2023</b>	<b>5,000</b>	<b>4,555</b>

Should the General Fund Reserve balance be below £5m at 31 March 2023, a transfer from the Financial Resilience Reserve will be made to maintain the General Fund Balance at £5m as approved by Council.

## 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.

## 8. Housing Revenue Account (HRA)

- 8.1 The estimated reserve movement for the HRA against original budget to end of June 2022 is shown in the table below:

<b>Housing Revenue Account Reserve Movement estimated outturn 2022/23</b>	<b>Original Budget £'000</b>	<b>Current Budget £'000</b>	
<b>HRA balance 01 April 2022</b>	4,921	3,891	*
Budgeted deficit for 2022/23	(1,396)	(1,396)	
Capital slippage		(181)	
Current Budget Variation Estimated Outturn 2022/23 (YTD)		(653)	
<b>HRA Balance at 31 March 2023</b>	<b>3,525</b>	<b>1,661</b>	

**HRA Major Repairs Reserve is currently £2,886k at 01 April 2022**

\* The current budget shows the actual HRA balance on 01 April 2022.

- 8.2 The Capital slippage of £181k from 2021/22 relates to the new Housing IT system.
- 8.3 Repairs and maintenance (planned and responsive) expenditure has a current over commitment of £457k against profiled budget. At this point, it is difficult to forecast a full year position.
- 8.4 HRA income consists almost entirely of rents. Current projections forecast rental income in line with the budget forecast.
- 8.5 The projection of the HRA balance at 31 March 2023 is £1.661m. This is below the Council's recommended minimum level of £2m. A new HRA business plan and proposals for updating the budget will be prepared and presented to Housing and Wellbeing Committee on 6 October 2022 and reported to this Committee and Full Council if appropriate.
- 8.6 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 2022/23 was set at 10 (there were 11 RTB disposals in 2021/22 and 4 disposals in 2020/21). To date there has been 1 disposal in the current year.
- 8.7 Details of the HRA capital, improvements and repairs programmes are shown in Paragraph 9 and 10.

## 9. Capital Receipts

- 9.1 Arun has entered into an agreement with the Government to keep the additional receipts generated by the relaxation of the Right to Buy discount rules, subject to these receipts being used for the provision of new social housing and Arun matching every £40 of receipts with £60 of its own funding. A further condition is that the receipts must be spent within three years, failing which they must be returned to the Government plus interest at 4% above base rate.
- 9.2 All 1-4-1 up to the end of June 2022 have been committed.
- 9.3 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.
- 9.4 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 2022/23 was set at £17.471m in February 2022. Recommended carry forwards from 2021/22 have increased the budget to £55.286m. The main changes in budget are:

	£'000
Total Original Budget	17,471
General Fund	
Levelling Up Fund Alexander Theatre	12,190
Levelling Up Fund Littlehampton Sea Front	7,234
Littlehampton Public Realm	3,301
Asset Management	756
Other GF Schemes less than £500k	3,408
Housing Revenue	
Stock Development	7,735
Summer Lane, Paghams	1,687
Cinders Nursery, Yapton	842
Chichester Road, Bognor Regis	571
Other Housing Schemes less than £500k	91
Total Current Budget	55,286

- 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. In addition, officers will be requested to review all capital budgets as part of the 2023/24 budget preparation exercise to determine if projects are still required in the budget, can be re-profiled or delayed to future years.

	<b>Original Budget £'000</b>	<b>Current Budget £'000</b>	<b>Actual 2022/23 £'000</b>	<b>Balance £'000</b>
<b>General Fund</b>				
<i>Policy and Finance</i>				
Levelling Up Fund Alexander Theatre	0	12,190	35	12,155
Levelling Up Fund Littlehampton Seafront	0	7,234	24	7,210
<i>Corporate Support</i>				
Computer Services	-	403	32	371
Arun Direct Telephony	200	200	1	199
<i>Economy</i>				
L'ton Public Realm	-	3,301	420	2,881
Asset Management	240	996	5	991
Works to Public Conveniences	-	495	81	414
Changing Places	157	157	-	157
Fitzleat Car Park	200	546	278	268
Arcade Roof	210	210	-	210
Beach Huts	-	260	-	260
Air B&B	-	486	-	486
<i>Environment and Neighbourhood Services</i>				
Disabled Facilities Grants	1,400	1,400	335	1,065
Keystone Centre	-	250	-	250
Sunken Gardens	-	466	4	462
Bersted Brooks Country Park	320	320	-	320
Place St. Maur	-	465	238	227
Play Areas	225	293	-	293
Hotham Park Play Area	-	27	-	27
Trinity Way	-	20	19	1
Lashmar Play Area	-	50	-	50
Homewood Play Area	-	42	1	41
BR Seafront Gym	-	30	29	1
<i>Residential and Wellbeing Services</i>				
ALC Wet Change	987	987	1	986
<b>Total General Fund</b>	<b>3,939</b>	<b>30,828</b>	<b>1,503</b>	<b>29,325</b>



	<b>Original Budget £'000</b>	<b>Current Budget £'000</b>	<b>Actual 2022/23 £'000</b>	<b>Balance £'000</b>
<b>Housing Revenue Account</b>				
<i>Residential and Wellbeing Services</i>				
Stock Development	100	7,745	231	7,514
Summer Lane, Pagham	-	1,687	305	1,382
Cinders Nursery, Yapton	-	842	165	677
Chichester Road, Bognor Regis	-	571	154	417
Sheltered Accommodation	2,600	2,600	-	2,600
Housing IT				
Civica Implementation	285	466	99	367
Housing Improvements	690	690	58	632
Domestic Boiler Installations	651	651	227	424
Commercial Boiler Rooms	100	100	9	91
Reroofing Programme	950	950	47	903
Kitchen & Bathroom Replacement Programme	950	950	56	894
Windows & Doors	1,575	1,575	554	1,021
Aids & Adaptations	450	450	77	373
Housing Repairs	2,649	2,649	832	1,817
Day to Day General Repairs	1,519	1,519	563	956
Voids	1,013	1,013	357	656
<b>Total Housing Revenue Account</b>	<b>13,532</b>	<b>24,458</b>	<b>3,734</b>	<b>20,724</b>
<b>Total Programme</b>	<b>17,471</b>	<b>55,286</b>	<b>5,237</b>	<b>50,049</b>
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 current budget includes £6.96m related to delayed projects, broken down as follows:
- 10.4 £3.3m Littlehampton Public Realm, all phases due to be completed in 2023. The project is funded from LEP Local Growth Fund, Coastal Communities Fund, West Sussex County council, Littlehampton Town Council and Arun District Council.
- 10.5 £465k Place St Maur, Bognor Regis which is nearing completion. The project is funded from the Getting Building Fund and Arun District Council. This is delivering new surfacing, seating and improved landscaping to make the space more attractive and useable for events.
- 10.6 £466k Sunken Gardens, Bognor Regis. Tenders are due back shortly with works expected to commence in September 2022.
- 10.7 £250k Keystone Centre, Littlehampton. An update on this was presented to Environment Committee on 14 July 2022.

- 10.8 £232k Play Areas, of which Trinity Way, Littlehampton and Bognor Regis seafront gym equipment has already been delivered this financial year.
- 10.9 £403k ICT, which will deliver schemes delayed due to Covid-19 and uncertainties around remote working. The table below shows the schemes and timeframes for delivery

Scheme	£'000	Comment
Backup and secure email gateway	30	Scheme complete in 2022/23
Disaster Recovery	20	Under assessment before commencing
Cyber Security Solutions	50	Internal audit is imminent. Outcome will determine project
Cisco Network Access Control	20	Estimated completion Q4 2022/23.
Azure Cloud Funding	28	Will be delivered in 2022/23
Core Switches	55	This will be reviewed in 2022/23
Network Switches and Security	50	Project will run alongside core switches when determined.
Civic Centre Wireless Network Replacement	50	Procurement due to commence October 2022 and delivered in 2022/23
Digital Strategy	100	Expected to be delivered in 2022/23
Total	403	

- 10.10 £1.85m Asset Management. £1.09m of this relates to Beach Huts, Public Conveniences (PCs) and Fitzleet Car Park, Bognor Regis.

A report is planned to be presented to Economy Committee later in 2022/23 with regards to the provision of more beach huts.

Works are now complete at the PCs located at Avisford Park, Bognor Regis. Redesign and refurbishment of Bedford Street PCs are currently out to tender. To allow Changing Places facilities to be incorporated into the building, planned maintenance works at Crown Yard PCs in Arundel will be delivered as part of the Changing Place Project (funded separately).

Resurfacing at Fitzleet car park is complete.

- 10.11 The current Asset Management budget also includes £486k supplementary estimate for the provision of an Air B&B property and following approval of the Economy Committee, architects have been instructed to design a scheme and a planning application will be submitted to the Council shortly. Initial approval of this scheme was agreed at Economy Committee on 29 March 2022.
- 10.12 As part of the budget process in the Autumn, project managers will be asked to review all capital schemes to determine whether they should remain in the programme.

## Housing Revenue Account

- 10.13 The current budget includes £10.9m related to delayed projects. £181k relating to CIVICA implementation and the balance stock development.

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10.14 Phase 1 of the Cinders Nurse project delivered 10 units in March 2022. Phase 2 is due to complete shortly supplying 5 more units. There was also one property acquisition in 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 £6.777m on deposit for s106 agreements, plus £3.818m is held on behalf of other organisations (e.g. NHS and WSCC). The total held on deposit is £10.594m.

## **12. Cash Flow and Treasury Management**

12.1 As at June 2022 it is estimated that by year end the budgeted investment returns will exceed original budget by approximately £400k. This is due to increased sums available to invest and several increases in the Bank of England rate (now at 1.25%). During budget setting, it was assumed that the average principal sums would be around £44m but is now at an average of £62m, resulting in more interest. The increase in average principal sums is due to the following reasons:

- Unused Covid-19 grant funding has not been repaid to government and new grants have been received;
- Council Tax energy rebate grant has not all been allocated at this time (£1.6m remaining);
- 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 to the Council at present is the inflationary pressures building up within the economy. The Bank of England's latest forecast is predicting a rate of 11% by the end of 2022.

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

13.3 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 1.25%) plus 4%.

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13.4 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 £30k for the previous year. New Burdens Funding for this is expected from central government.

13.5 Labour shortages are becoming a major problem across the United Kingdom. Unfilled vacancies were estimated at 1.3m in April 2022 (source: Office of National Statistics). This is causing recruitment issues in many areas across the Council with agency staff covering vacant posts, leading to increased establishment costs.

## **14. Conclusions and Recommendations**

14.1 The budget monitoring to 30 June 2022 indicates that for 2022/23 the Council will:

- Be on track against the General Fund Revenue budget;
  - Overspend to the Housing Revenue Account budget, should the current spending profile on repairs and maintenance continue. The HRA balance is projected to decline below its recommended minimum level of £2m. Corrective action is therefore required as outlined in Section 8.
  - 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.
-