

ARUN DISTRICT COUNCIL BUDGET MONITORING

Financial Position as at end of September 2022

1. Introduction

- 1.1 This report sets out the Capital, Housing Revenue and General Fund Revenue budget performance to end of September 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 September 2022 against profiled budget is shown in the table below. The table presents only the variances on budget in excess of +/- £50k.
- 2.3 Table 2.2 below shows a general net expenditure variance of £13k favourable profiled budget to the end of September 2022. Variations are on services first, followed by corporately controlled budgets.

General Fund variance on profiled budget to end of September 2022				
Service controllable spend	Variance on Budget Jun £'000	Variance on Budget Sep £'000	Change £'000	
Housing and Wellbeing Committee				
Nightly paid accommodation and homelessness (see 2.5.1)	190	335	145	
Planning Policy Committee				
Planning Income (Fees and Charges)	0	(98)	(98)	
Finance & Policy Committee				
Legal (Fees and Charges)	0	(78)	(78)	
Other Variances less than +/- 50k	(54)	212	266	
Total Service controllable budget variance	(313)	371	684	
Corporate controllable budget				
Establishment against savings target	(50)	90	140	
Corporate Underspends	(30)	(395)	(365)	
Rates	0	(79)	(79)	
General Fund net expenditure variance against profiled budget	56	(13)	(69)	

2.5 Housing and Wellbeing Committee

- 2.5.1 To date, the overall spending variance for nightly paid accommodation (net) and homelessness is £335k above profile (£684k above profile for nightly paid accommodation).
- 2.5.2 The number of placements in emergency accommodation continues to increase. Access to privately 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 near future 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.

Description	£'000
Ex-offender's grants	58
Prevention grants	29
Rough sleeping grants	(309)
Domestic abuse grants	(32)
Other	(35)
Total	(289)

- 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, 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. A further £31.5k has been granted to keep the scheme running until March 2023.
- 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 eviction ban in June 2021 is still being felt with due cases taking time to work through the courts. Added to this are changes within the housing market. Increased property prices and interest rates has led to landlords selling their properties or raising rents to levels beyond affordable levels for people who are on low incomes or benefits.

2.6 Planning Policy Committee

- 2.6.1 Planning income is (£129k) above profile. This is largely due to an additional 9 applications from July to September totalling £244k in value.
- 2.6.2 Members are asked to note any increase in large applications are unlikely to result in more resources. Currently, there is no agreed mechanism to quickly increase staff beyond that presently budgeted for. As a result, there may be a negative impact upon reported performance for the determination of major applications.

2.7 Finance & Policy Committee

- 2.7.1 Legal fees and charges have exceeded profile budget by (£78k). Part of this relates to beach hut renewals which occur every 3 or 7 years depending on the type of lease. Efforts are also being made by the service to increase their income.

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 £488k at the end of September 2022 and the breakdown is shown in the following table:

Corporate Underspends Confirmed September 2022			
	Jun 22 £'000	Sep 22 £'000	Change £'000
Additional investment income	100	600	500
Underspends from contingencies/miscellaneous budgets / corporate controllable	68	63	(5)
Total identified corporate underspend	168	663	495
Virements actioned/earmarked from corporate underspend	(100)	(268)	(168)
Corporate Underspends September 2022 (Net)	68	395	327

2.8.2 There has been a £488k contribution to the corporate underspends:

Description	£'000
Investment income – increase in interest rates	600
Rates – Public Conveniences now outside NDR	63
Total	663

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

Description	£'000
Regeneration Specialist	100
Seasonal Staff	57
Feasibility Study for new build theatre	18
Funding of Finance Business Partners	93
Total	268

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. Rates

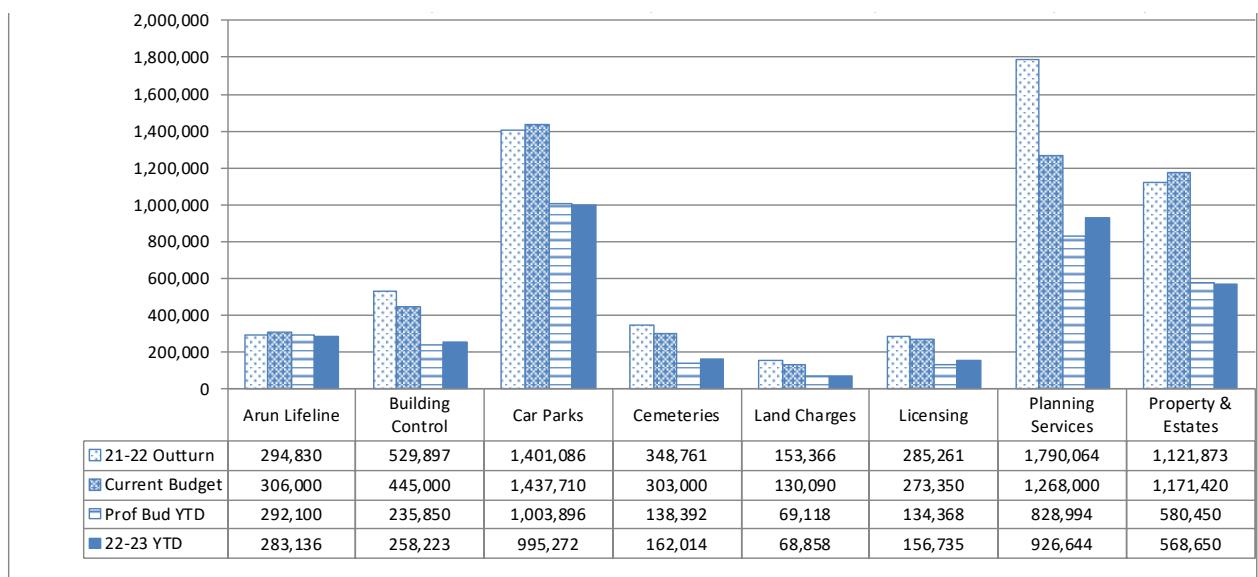
4.1 Legislation excluding non-domestic rate charges on public conveniences has been approved by central government. As legislation has been backdated to 2020/21 this has resulted in a refund of £79k to the Council.

5. Establishment

- 5.1 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.
- 5.2 The current vacancy allowance is £90k above profile to September 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. The largest three unions, Unison, Unite and GMB have balloted their members on the pay award. Unison members have accepted the offer with Unite and GMB results expected by the end of October 2022.

6. Income

- 6.1 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.
- 6.2 General Fund income is currently overachieving by (£136k). This is mainly due to increased planning income mentioned in paragraph 2.6.1 above.
- 6.3 The graph below shows income by source and value, achievement to end of September 2022 against profiled budget, full year budget and 2022/23 outturn.



7. Estimated Outturn

- 7.1 There were 3 supplementary estimates approved 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
Total	389

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

General Fund Reserve Movement estimated outturn 2022/23	Original Budget £'000	Current Budget £'000
Net Budget Requirement	22,132	22,617
Financed by:		
Government Grants and Retained Business Rates	(4,866)	(4,962)
Council Tax	(17,266)	(17,266)
Taken From / (Added to) Balances	0	389
General Fund Balance 01 April 2022	5,000	5,000
Budgeted draw down from GF Reserve	0	(389)
Current Budget Variation Estimated Outturn 2022/23	0	13
General Fund Balance 31 March 2023	5,000	4,624

Should the General Fund Reserve balance be above or 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. It should be noted that the Council's services including contracts are subject to significant inflationary pressure which is likely to impact the second half 2022/23.

8. Earmarked Reserves

- 8.1 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.

9. Housing Revenue Account (HRA)

- 9.1 The profiled variance for the HRA against original budget to end of September 2022 is shown in the table below:

Housing Revenue Account					
	Full year Budgets (Orig) 2022/23	Full year Budgets (Current) 2022/23	Year to date Profile budget 2022/23	Year to date actuals 2022/23	Year to date Variance 2022/23
	£'000	£'000	£'000	£'000	£'000
Expenditure					
Repairs & Maintenance	5,181	5,181	2,590	4,054	1,463
Supervision & Management	5,357	5,352	1,860	2,120	260
Rents, Rates, Taxes and other charges	177	177	90	53	(37)
Total Expenditure	10,715	10,710	4,541	6,227	1,687
Income					
Dwelling rents	(16,941)	(16,941)	(8,473)	(8,370)	103
Non-dwelling rents	(481)	(481)	(238)	(225)	13
Charges for services and facilities	(641)	(641)	(254)	(223)	31
Other Income	0	0	0	0	0
Total Income	(18,062)	(18,062)	(8,965)	(8,819)	147
Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(7,347)	(7,352)	(4,425)	(2,591)	1,833

- 9.2 The resulting projected reserve movement for the HRA against original budget to end of 2022/23 is shown in the table below:

Housing Revenue Account Reserve Movement estimated outturn 2022/23	Original Budget £'000	Current Budget £'000
HRA balance 01 April 2022	4,921	3,891 *
Budgeted deficit for 2022/23	(1,396)	(1,396)
Capital slippage		(181)
Current Budget Variation Estimated Outturn 2022/23 (YTD)		(1,833)
HRA Balance at 31 March 2023	3,525	481
HRA Major Repairs Reserve is currently £2,886k at 01 April 2022		

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

- 9.3 It should be noted that this report is concerned with the projected outturn as at the end of September 2022. Members are already aware that there is significant pressure on the HRA and that the estimated outturn or revised budget for 2022/23 currently under review and is subject to a report to Policy and Finance Committee on 13 December 2022. The reported position is therefore likely to subject to significant change to regularise the situation, subject to member approval.
- 9.4 The Capital slippage of £181k from 2021/22 relates to the implementation of the new Housing IT system.
- 9.5 Repairs and maintenance (planned and responsive) expenditure has a current over-commitment of £1,463k against profiled budget. At this point, it is difficult to forecast a full year position.
- 9.6 HRA income consists almost entirely of rents. Current projections forecast rental income in line with the budget forecast.
- 9.7 The projection of the HRA balance at 31 March 2023 is £0.481m. This is below the Council's recommended minimum level of £2m. It is therefore recommended that corrective action be taken urgently. Reports are being prepared by Officers outlining recommended action.
- 9.8 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 4 disposals in the current year.
- 9.9 Details of the HRA capital, improvements and repairs programmes are shown in Paragraph 10 and 11.

10. Capital Receipts

- 10.1 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.
- 10.2 All 1-4-1 up to the end of September 2022 has been spent.
- 10.3 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.
- 10.4 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).

11. Capital, Asset Management and Other Project Programmes

- 11.1 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	3,635
Housing Revenue	
Stock Development	7,735
Summer Lane, Pagham	1,687
Cinders Nursery, Yapton	842
Chichester Road, Bognor Regis	571
Other Housing Schemes less than £500k	91
Total Current Budget	55,513

- 11.2 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.

	Original Budget £'000	Current Budget £'000	Actual 2022/23 £'000	Balance £'000
General Fund				
<i>Policy & Finance</i>				
Levelling Up Fund Alexander Theatre	-	12,190	442	11,748
Levelling Up Fund Littlehampton Seafront	-	7,234	187	7,047
<i>Corporate Support</i>				
Computer Services	-	403	51	352
Arun Direct Telephony	200	200	1	199
<i>Economy</i>				
L'ton Public Realm	-	3,301	1,031	2,270
Asset Management	240	1,223	169	1,054
Works to Public Conveniences	-	495	129	366
Changing Places	157	157	5	152
Fitzleet Car Park	200	546	287	259
Arcade Roof	210	210	-	210
Beach Huts	-	260	-	260
Air B&B	-	486	2	484
<i>Environment and Neighbourhood Services</i>				
Disabled Facilities Grants	1,400	1,400	561	839
Keystone Centre	-	250	-	250
Sunken Gardens	-	466	11	455
Bersted Brooks Country Park	320	320	-	320
Place St. Maur	-	465	306	159
Play Areas	25	93	-	93
Hotham Park Play Area	-	27	-	27
Trinity Way	-	20	19	1
Lashmar Play Area	-	50	48	2
Homewood Play Area	-	42	40	2
Bognor Skate Park	200	200	-	200
BR Seafront Gym	-	30	29	1
<i>Residential and Wellbeing Services</i>				
ALC Wet Change	987	987	2	985
Total General Fund	3,939	31,055	3,320	27,735

Housing Revenue Account				
<i>Residential and Wellbeing Services</i>				
Stock Development	100	7,745	231	7,514
Summer Lane, Pagham	-	1,687	542	1,145
Cinders Nursery, Yapton	-	842	808	34
Chichester Road, Bognor Regis	-	571	157	414
Sheltered Accommodation	2,600	2,600	-	2,600
Housing IT				
Civica Implementation	285	466	162	304
Housing Improvements	690	690	133	557
Domestic Boiler Installations	651	651	467	184
Commercial Boiler Rooms	100	100	-	100
Reroofing Programme	950	950	36	914
Kitchen & Bathroom Replacement Programme	950	950	114	836
Windows & Doors	1,575	1,575	786	789
Aids & Adaptations	450	450	117	333
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
Total Housing Revenue Account	13,532	24,458	5,305	19,153
Total Programme	17,471	55,513	8,625	46,888

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

- 11.3 It is expected that the schemes for Beach Huts, Holiday Let, Bognor Regis Skate Park & Bersted Brooks Country Park will be delayed to 2023/24. When confirmed, the 2023/24 capital programme will be compiled to include these changes.

Housing Revenue Account

- 11.4 The HRA Capital Programme is under review as part of the work ongoing to place the HRA on a sustainable financial basis. The Sheltered Housing Scheme has been recommended for roll forward to 2023/24. This will be included in the draft Capital Programme when presented to Members. Any other schemes identified as part of the review will be assessed when known.

12. Section 106 sums

- 12.1 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.

12.2 The Council currently holds £6.791m on deposit for s106 agreements, plus £3.839m is held on behalf of other organisations (e.g. NHS and WSCC). The total held on deposit at 30 September 2022 is £10.629m.

13. Cash Flow and Treasury Management

13.1 As at September 2022 it is estimated that by year end the budgeted investment returns will exceed original budget by approximately £960k. This is due to increased sums available to invest and several increases in the Bank of England rate (now at 3.00%). During budget setting, it was assumed that the average principal sums would be around £44m but is now at an average of £63m, resulting in more interest. The increase in average principal sums is due to the following reasons:

- Unused Covid-19 grant funding (£2.75m) 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 (£1.07m remaining);
- House building programme is delayed; and
- General Fund capital/asset management slippage.

14. Risk Analysis

14.1 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.

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

14.3 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 3.00%) plus 4%.

14.4 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.

14.5 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.

15. Conclusions and Recommendations

15.1 The budget monitoring to 30 September 2022 indicates that for 2022/23 the Council will:

- Be on track against the General Fund Revenue budget;
- The Housing Revenue Account budget is currently under review to enable corrective action to be taken to avoid the year-end balance reaching a critically low level as outlined in Section 9.
- 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.