

Arun District Council

REPORT TO:	Policy and Finance Committee - 26 October 2023
SUBJECT:	Budget Monitoring Report to 30 June 2023
LEAD OFFICER:	Antony Baden – Group Head of Finance & Section 151 Officer
LEAD MEMBER:	Cllr Matt Stanley
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: The Council's budget supports all the Council's Objectives.	
DIRECTORATE POLICY CONTEXT: Budget monitoring and forecasting are key in ensuring sound financial control and control of spending is in place. It is also a major part in ensuring sound governance arrangements.	
FINANCIAL SUMMARY: The report shows the Capital, Housing Revenue and General Fund Revenue budget performance for 2023/24 as at the end of Quarter 1.	

1. PURPOSE OF REPORT

1.1. The purpose of this report is to appraise the Policy and Finance Committee of performance against the budgets approved by Full Council at its meeting of the 9 March 2023.

2. RECOMMENDATIONS

1.2. To note the report.

1.3. Note that an additional £750,000 will be added to the Capital Programme in respect of capital works at Littlehampton Harbour as outlined in paragraph 4.4.

1.4. Note that the Housing Revenue Account (HRA) will continue to be closely monitored to ensure that corrective action is taken if required and reported back to this Committee.

and

2.2. Recommended that this Committee approve:

(a) A virement of £190,900 be made from the Corporate Support Committee budget to the Economy Committee budget.

(b) A virement of £34,423 be made from the Policy & Finance Committee budget to the Corporate Support Committee budget.

- (c) The Capital Programme be reviewed and amended where required to reflect future cost forecasts and expenditure profiles.

2. EXECUTIVE SUMMARY

- 2.1. The budget monitoring report appended to this report sets out the General Fund Revenue budget, Capital Programme and Housing Revenue Account budget performance and forecast for 2023/24 as at the end of Quarter 1.

3. DETAIL

Revenue Budget

- 3.1. The Council approved a General Fund revenue total net expenditure budget of £28.318 million; a Housing Revenue Account revenue total expenditure budget of £19.351 million; and a Capital Programme of £14.941 million for the year 2023/24. This report provides a forecast of spending and income against the approved budget for 2023/2024.
- 3.2. Members will recall that the 2023/24 budget includes £3 million for Transformation and an assumption that savings of £2 million would be identified in year. Officers are currently working up proposals, but it is unlikely that either of these will be spent or achieved. However, more work is required to ascertain a more accurate picture so for the purpose of the Quarter 1 forecast, a zero variance has been reported for both. It is not expected that this will create an overspend.
- 3.3. The Committee is requested to note the budget monitoring report in Appendix 1, which provides information on a management by exception basis to highlight the overall expected performance of the council.

Capital Programme

- 3.4. The Littlehampton Harbour Board (LHB) has advised Arun District Council and West Sussex County Council that emergency capital works are required to the harbour's west wall, at a total cost of £1,500,000. The cost is split equally between the two authorities. The Council is legally required to share the cost of any expenditure incurred in the operation of the harbour, which cannot be funded by the LHB. The works commenced in August 2023 and Members are therefore asked to note that this will be included in the Quarter 2 capital programme report.

5 CONSULTATION

- 5.1 Consultation with other stakeholders is not required for this report.

6 OPTIONS/ALTERNATIVES CONSIDERED

- 6.1 Not applicable.

7 COMMENTS BY THE INTERIM GROUP HEAD OF FINANCE/SECTION 151 OFFICER

- 7.1 It is sound governance to monitor spending against budget during the financial year. Such control allows the Council to take prompt corrective action if spending or income significantly varies from the approved budgets.
- 7.2 The Council continues to incur some additional expenditure due to current inflationary pressures and net expenditure is monitored closely to ensure that corrective action continues to be taken if necessary.
- 7.3 The HRA balance projection is a significant concern and is forecast to decline below the £2m recommended minimum balance approved by the Council. A further report will be presented to the Housing & Wellbeing Committee on 23 November 2023 and this Committee on 6 December 2023.
- 7.4 Committee will note that the Group Head of Finance & Section 151 Officer will work throughout the financial year with other Group Heads to mitigate any overspends that have been highlighted in the report and to maximise potential income generation opportunities/cost avoidance efficiencies.

8 RISK ASSESSMENT CONSIDERATIONS

- 8.1 Regular budget monitoring and forecasting mitigates against the risk of poor financial control and ensures that Members are informed when corrective action is required and what action has been taken.

9 COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

- 9.1 There are no direct legal implications associated with this report.

10 HUMAN RESOURCES IMPACT

- 10.1 None.

11 HEALTH & SAFETY IMPACT

- 11.1 None.

12 PROPERTY & ESTATES IMPACT

- 12.1 None.

13 EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

- 13.1 None.

14 CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

- 14.1 None.

15 CRIME AND DISORDER REDUCTION IMPACT

15.1 None.

16 HUMAN RIGHTS IMPACT

16.1 None.

17 FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1 None.

CONTACT OFFICER:

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Job Title: Group Head of Finance and Section 151 Officer

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BACKGROUND DOCUMENTS:

Budget Book 2023/24

Minute 779, Full Council 9 March 2023 – Arun District Council budget 2023/24.

ARUN DISTRICT COUNCIL BUDGET MONITORING

1. Introduction

- 1.1. This report sets out the forecast outturn position for the financial year 2023/24 as at Quarter 1, for the Revenue Budget, Capital Programme, and the Housing Revenue Account (HRA).
- 1.2 The budget monitoring statements are summarised in Tables 1 to 4 below with additional details on significant variances provided.

2. Revenue Budget

- 2.1 The Quarter 1 revenue budget forecast performance for the year is £34.377 million against the budget of £35.042 million, which is an underspend of £665k. The significant variances are explained in paragraph 3 and 4.
- 2.2 Table 4 sets out the impact on the Council's Usable Revenue Reserves. Members will note that the approved planned use of Reserves in 2023/24 is £6.7 million, including the funding of some capital expenditure, but this is forecast to reduce by £665k because of the underspend referred to in paragraph 2.1.
- 2.3 Subject to approval by this Committee, the following virements are required for those budgets to report to the correct service committees:
 - a virement of £190,900 from the Corporate Support Committee to the Economy Committee in respect of the Accommodation Services budget.
 - a virement of £34,423 from the Policy & Finance Committee to the Corporate Support Committee in respect of the Strategy & Performance Monitoring budget.

3 Forecast variance explanations

- 3.1 The forecast total underspends are £157k at Cost-of-Service level with an additional overachievement of income forecast of £508k on Interest & Investment Income. These are outlined in paragraphs 3.2 to 3.5 below.
- 3.2 **Corporate Support** - Underspend on staff costs in Committee Services (£51k) and savings in IT associated with IT replacement programme and decommissioning of e-forms platform. (£38k)
- 3.3 **Economy** – Underspend on a vacant post in Property Management and one -off over achievement of Beach Hut income. (£21k)
- 3.4 **Environment** – Savings within Foreshore and Parks & Green Spaces budgets reflecting updated information since the budget was approved. (£62k)
- 3.5 **Housing & Wellbeing** - A budget for £580k was added to the 23-34 budget for further support to Freedom Leisure with the increase in utility costs. A specialist

consultant was appointed to review the claim. The claim has now been settled at £205k with a surplus budget of £375k now being reported as an underspend in the year.

4 Other potential cost pressures

- 4.1 Total identified pressures to date are £451k and are analysed further in paragraphs 4.2 to 4.4 below. Services are expected to manage pressures within existing resources in the first instance.
- 4.2 Corporate Support – Cost pressures due to the increased use of agency staff to cover vacant posts in Legal Services (£150k) and Additional Security costs within Customer Services, (£57k).
- 4.3 Housing and Wellbeing – Storage costs for clients' furniture (£36k). This a statutory service with some contributions expected from clients.
- 4.4 Policy and Finance Committee – LUF Project Management (£65k).

Revenue Budget forecast out turn – 2023-2024

Table 1

Budget	Original Budget	Revised Budget	Year End Forecast	Forecast vs Revised
Corporate Support	6,353,610	6,197,133	6,308,693	111,560
Economy	2,548,700	2,739,600	2,868,100	128,500
Environment	11,362,980	11,362,980	11,365,530	2,550
Planning Policy	906,480	906,480	906,480	0
Policy & Finance	2,237,333	2,202,910	2,202,910	0
Housing & Wellbeing	6,574,970	6,574,970	6,175,220	(399,750)
Cost of Service Total - General Fund	29,984,073	29,984,073	29,826,933	(157,140)
Parish Precepts	5,300,530	5,300,530	5,300,530	0
Other precepts and levies	249,000	249,000	249,000	0
Interest & investment income	(1,824,970)	(1,824,970)	(2,332,970)	(508,000)
Contingencies / miscellaneous	10,000	10,000	10,000	0
Pension deficit contributions	1,323,000	1,323,000	1,323,000	0
Corporate costs	5,057,560	5,057,560	4,549,560	(508,000)
Total Costs	35,041,633	35,041,633	34,376,493	(665,140)
Financed By				
RSG / Retained Business Rates	(7,820,250)	(7,820,250)	(7,820,250)	0
New Homes Bonus	(616,060)	(616,060)	(616,060)	0
Other non ringfenced grants	(1,630,640)	(1,630,640)	(1,630,640)	0
Council Tax income - ADC	(12,982,220)	(12,982,220)	(12,982,220)	0
Council Tax income - T&P	(5,300,530)	(5,300,530)	(5,300,530)	0
Collection Fund def/(surp)	32,000	32,000	32,000	0
Total Financed By	(28,317,700)	(28,317,700)	(28,317,700)	0
Deficit/(Surplus)	6,723,933	6,723,933	6,058,793	(665,140)
Contribution to/(from) Reserves	(6,723,933)	(6,723,933)	(6,723,933)	0
Net Position	0	0	(665,140)	(665,140)

5 Capital Programme 2023/24

- 5.1 Table 2 below summarises the forecast capital programme out turn versus budget and includes changes made since it was approved by Full Council on the 9 March 2023. Members will note that the changes are due to scheme slippage from 2022-2023 and a realignment of future capital spending.
- 5.2 The Bognor Regis Arcade, Waterloo Square and Warwick Nurseries & Boweries schemes were approved at Full Council on the 19 July 2023 after the Quarter 1 period and will be included in the Quarter 2 forecast report.
- 5.3 Forecast expenditure against the capital programme as at the end of Quarter 1 is £22.04m which is £0.17m (1%) below the current budget.
- 5.4 The £0.17m relates to a minor overspend of £0.035m and projected slippage of £0.2m as shown below.
- 5.5 The overspend against the Policy & Finance committee is due to stamp duty payable on the Alexander Theatre scheme. This cost falls outside of the overall LUF grant financial envelope, but the total scheme cost remains within budget, and it is expected that the overspend will be absorbed in future years.
- 5.6 The Environment underspend relates to the Skate Park, the plan for which depends on wider proposals for a new esplanade café at the existing site. A report was taken to Economy committee in June where it was approved to proceed with the business case appraisals to consider the viability of developing two new cafés at the Esplanade Theatre and Bognor Regis Promenade Stalls Zone sites, and as part of this the future location of the skate park would need to be considered. A further report will be taken brought to Members on the findings of the business case appraisals once they are completed and will give recommendations on the next courses of action.

Arun District Council

Table 2

Capital Programme 2023-2024 forecast as at Quarter 1

Committee	Original Capital Budget 2023/24 £'000	Scheme Slippage from 2022/23 £'000	Reprofiled Spend £'000	Other Changes £'000	Revised Capital Budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Variance £'000
Policy & Finance	3,750	18,470	(17,232)	0	4,988	5,022	34
Corporate Services	0	347	0	(32)	315	315	0
Economy	539	2,933	0	0	3,472	3,471	(0)
Environment	1,655	1,102	0	0	2,757	2,558	(200)
Housing and Wellbeing	8,998	8,459	(6,778)	0	10,678	10,678	0
Total Capital Budget	14,941	31,311	(24,010)	(32)	22,209	22,043	(166)

6 Housing Revenue Account (HRA)

6.1 The forecast outturn position for the HRA is summarised in Table 3 below and indicates a deficit of £519,000 in 2023/24 against a budgeted deficit of £340,000. This would result in an overspend of £179,000.

Table 3

Housing Revenue Account - Budget Summary			
	Budget	Forecast	Variance
	23/24	23/24	23/24
	£'000	£'000	£'000
Supervision & Management	5,865	6,044	179
Repairs & Maintenance	5,956	5,956	0
Rents, rates, taxes & other charges	186	186	0
Depreciation	5,808	5,808	0
Loan Charges	1,952	1,952	0
Total Expenditure	19,767	19,946	179
Gross Dwelling Rents (current stock)	18,345	18,345	0
Gross Non-Dwelling Rents (current stock)	479	479	0
Voids	(272)	(272)	0
Write-Offs	(96)	(96)	0
Other Income	764	764	0
Interest on Balance	207	207	0
Total Income	19,427	19,427	0
(Surplus)/Deficit	340	519	179
Gain or Loss on sale of HRA Non current assets	0	0	0
Net HRA (Surplus)/Deficit	340	519	179
Major repairs reserve			
Financing of capital spend	2,931	2,931	0
Provision for debt repayment (HRA Stock)	1,454	1,454	0
Provision for debt repayment (HRA Leases)	89	89	0
Total expenditure	4,473	4,473	0
Depreciation for year (credit)	5,808	5,808	0
Total income	5,808	5,808	0
(Surplus)/Deficit	(1,335)	(1,335)	0
Balance Brought Forward	(3,884)	(3,884)	0
Major repairs reserves Balance Carried Forward	(5,219)	(5,219)	0
HRA Reserve			
HRA Reserve - Balance Brought Forward	(1,523)	(1,523)	0
Net HRA (Surplus)/Deficit	340	519	179
HRA Reserve - Balance Carried Forward	(1,183)	(1,004)	179
In year (Surplus) / Deficit on HRA	(995)	(816)	179

6.2 The forecast cost pressure of £179k within Supervision & Management costs identified to date is mainly due to:

- Establishment (Repairs – additional Agency staff) cost pressure - £96k

- Compensation cost - £50k. Relating to complaints where properties have not been maintained (Repairs) resulting in compensation payments.
- Sheltered accommodation bed bug treatment - £20k
- Subscriptions - £8k, Insurance £6k

6.3 Work is ongoing between Finance and Housing to review the financial position of the HRA. The outcome will inform changes to the forecast and assess the impact on reserve balances.

7 Usable Revenue Reserves

7.1 Usable Revenue Reserves are amounts set aside from accumulated General Fund balances to provide financing for specific future expenditure plans and also to provide the Council with a cash flow buffer. These reserves are to be monitored regularly to ensure that they are being drawn down as appropriate and able to support the revenue budget. Table 4 below summarises the current position and the impact of the 2023/24 forecast out turn.

7.2 The Council held £25.793m in earmarked reserves at 1 April 2023. This balance is anticipated to reduce to £9.734m at the end of the financial year.

Table 4

	£ Million
Earmarked Reserves	20.793
General Reserve	5.000
Total Usable Revenue Reserves as at 31/03/2023	25.793
Reserves used in 2023/24 to support the revenue budget and fund capital	6.059
Total Usable Revenue Reserves as at 31/03/2024	19.734