

ARUN DISTRICT COUNCIL BUDGET MONITORING

Financial Position as at end of September 2020

1. Introduction

- 1.1 The speed of the Covid-19 pandemic has led to unprecedented socioeconomic disruption globally. The financial challenges that the Council is facing are also unprecedented with significant loss of income and additional expenditure in 2020/21 and beyond.
- 1.2 The financial position and outlook for 2020/21 has changed significantly since the budget was approved by Full Council on 19 February 2020. Budget performance is presented after taking account of the following:
- Monitoring of additional Covid-19 related expenditure and reductions in income
 - Additional covid-19 government support
 - Spend to date excluding commitments against profiled budgets.
 - Consultation with managers and budget holders on service performance.
 - Virements identified where possible from existing budgets to cover budget pressures.
- 1.3 This report sets out the Capital, Housing Revenue and General Fund Revenue budget performance to end of September 2020 and presents performance information for all aspects of financial risk such as income and expenditure related to the covid-19 pandemic, including any mitigations.
- 1.4 The report links the latest Round 6 Covid-19 return submitted to the MHCLG (DELTA return) to the budget monitoring position and estimated outturn for 2020/21.

2. General Fund Summary

- 2.1 The General Fund performance to end of September 2020 against profiled budget is given in the table below. The table presents only the variances on budget in excess of +/- £20k.

General Fund variance on profiled budget to end of September 2020			
	Variance on Budget Aug £'000	Variance on Budget Sep £'000	Change £'000
Service controllable spend			
Community Wellbeing			
Promenades & Foreshores - concessions/rents	38	43	5
Recreation & Sport - management fee	334	401	67
Neighbourhood Services			
Car Parks - Fees and Charges (including income collection savings)	203	183	(20)
Planning Services			
Planning - Fees and Charges	(97)	(147)	(50)
Residential Services			
Homelessness & Temporary Accommodation	334	370	36
Technical Services			
Building Control - Fees and Charges	30	0	(30)
Land Charges - Fees and Charges	29	28	(1)
Licenses - Fees and Charges	0	44	44
Pest Control - Fees and Charges	0	23	23
Sundry Properties - Rents	98	93	(5)
Management & Support Services			
Computer Services - Working from home	48	48	0
Other Variances less than +/- 20k	(141)	(180)	(39)
Total Service controllable budget variance	876	906	30
Corporate controllable budget			
Establishment against savings target	(280)	(330)	(50)
Covid-19 support/corporate underspend (net) pro rata	(435)	(490)	(55)
General Fund net expenditure variance against profiled budget*	161	86	(75)
Covid-19 Income Compensation scheme (estimated)	0	(480)	(480)
Covid-19 support grant (£2.373m pro rata)	(781)	(1,187)	(406)
Collection Fund deficit forecast (transfer to reserves)	898	898	0
	278	(683)	(961)

2.2 Table 2.2 above shows a general net expenditure variance of (£683k) favourable against expected (profiled budget) to the end of September 2020. This is a significant improvement (£961k) from the previous month. The main reason for the improved financial position is the anticipated (£480k) contribution from the income compensation scheme (paragraph 5.3); tranche 4 of the general Covid-19 support grant (paragraph 2.3) and a review of budgets, which

has identified budgets that can be utilised to support Covid-19 net expenditure pressures (paragraph 2.10.3). The total variation is comprised of a large number of over and under spends against expected. The adverse variations are mainly due to the Covid-19 pandemic which has resulted in significant additional expenditure (with some smaller reductions in expenditure) and a significant variation to the expected income. Whilst the expenditure related variations are relatively straight forward to identify and predict (e.g. emergency accommodation) the loss of income is more complex by nature.

- 2.3 The Council has been awarded £2.373m of non-ringfenced Covid-19 government support in 2020/21 (total £2.438m with £65k received in March), however, this is not sufficient to cover the full additional net expenditure anticipated for the full financial year. The Council finances have benefitted from a good summer, stringent control of the establishment (4.2) and spend, in addition to buoyant income streams like Planning (2.6.1). However, the situation is expected to deteriorate significantly for the second half of the year, with more covid-19 restrictions being applied in the autumn and winter months, particularly in areas like leisure support which are under extreme pressure due to the restrictions (2.4.2). The grant has been applied to the General Fund summary (table 2.1) on a pro rata (monthly) basis and includes tranche 4, which was announced on 22nd October, for completeness. The total Covid-19 non ringfenced grant funding allocated is summarised in the table below:

Covid-19 non ringfenced grant funding	
	£
First Tranche (March 2020)	64,612
Second Tranche	1,609,640
Third Tranche	264,767
Fourth Tranche	498,760
Total Covid-19 Additional Funding*	2,437,779
*£65k 2019/20 £2.373m 2020/21	

2.4 Community Wellbeing

- 2.4.1 Promenades and Foreshores (promenades sundry properties income) is currently £43k below expected to date. This is made up of Covid-19 rent deferrals.
- 2.4.2 The Council's leisure provider was severely affected by the pandemic with the centres forced to close by the government from 21 March 2020. Full Council approved a supplementary estimate of up to £406k on 15 July, which covers the Councils support to the end of September (£136k whilst the centres remained closed and £270k for the re-opening phase). The adverse variation against profiled budget of £401k relates to the management fee (£802k full year). The government's income compensation scheme allows £271k of the income lost to be recouped. The circumstances around reopening have resulted in a significant reduction in income and additional costs for the leisure provider. A leisure support update report was considered at cabinet on 21 September 2020 and a supplementary estimate of a further £192k will be requested from Full Council at its meeting on 11 November 2020.

2.5 Neighbourhood Services

- 2.5.1 Overall Car Park Pay & Display is £183k below its profiled budget. Car Park charges ceased on 01 April 2020, due to the Covid-19 situation, and were re-instated on the 15 May 2020. The Town centre car parks have been worst affected. Income from seasonal car parks have remained buoyant through September 2020 due to the good weather, with the exception of Gloucester Road Bognor Regis. This car park is used by Butlins day visitors, however, Butlins are not allowing day visitors for the rest of 2020.
- 2.5.2 It should also be noted that budgeted annual inflationary rise in charges of 2% has not been implemented (full year impact £30k).
- 2.5.3 There has been a small saving of £10k on the contractors (NSL) because of reduced core hours due to Covid-19.

2.6 Planning Services

- 2.6.1 Overall, planning income is overachieved by (£147k) against a profiled budget of £685k (21% up). This is partly due to 9 applications over £20k received to date and a large application that was received towards the end of the last Financial year, which was processed in the current year. Community Infrastructure Levy (CIL) was implemented on 1 April 2020 and four demand notices totalling £49k have been issued to date.

2.7 Residential Services

- 2.7.1 Net expenditure on nightly paid accommodation for homeless households is £370k above profiled budget. This is mainly Covid-19 related and has remained stable from the previous month (£326k).

	Outturn 2019/20 £'000	Actual September 2019 £'000	Original Budget £'000	Actual September 2020 £'000
Gross Expenditure	1,652	831	1,290	768
Income	(516)	(269)	(440)	(283)
Net Expenditure	1,136	562	850	485
Income including Housing Benefit recovered	31%	32%	34%	37%

Note : Net expenditure is gross expenditure less Housing Benefit (HB) recovered and a small amount of income paid by recipients. HB generally covers some 30% of gross expenditure but this will vary from month to month due to the phasing of the benefit payments.

2.8 Technical Services

- 2.8.1 Building Control income has now normalised against profiled budget largely due to applications being received following the easing of lock down restrictions.

However, if there is a local lock down in the future, this is likely to further impact service income.

- 2.8.2 License fees and charges are currently below profile by £44k. This is due to the impact of Covid-19 on the service where venues such as public houses and gambling establishments were closed and all inspections on HMO properties and animal licensing inspections ceased. There is now a backlog of applications being processed since venues re-opened and site visits have just restarted. However, if additional Covid-19 restrictions are imposed, this is likely to cause a further reduction in income.
- 2.8.3 The £93k adverse variance on Sundry Properties is made up of rent deferral holidays of £11k and the remaining difference is due to the variance of income from the Arcade in Bognor Regis of £82k.
- 2.8.4 Property and Estates are continuing to liaise with tenants to assess the impact of Covid-19 and assess whether additional support is required. Some businesses outside of the retail and hospitality sector may also require financial support and each case will need to be considered on its own merit.
- 2.8.5 It was reported in August, that WSCC had awarded a £75k grant to the Council to help provide the capacity to deliver the Covid-19 prevention interventions being carried out by Environmental Health, and to expand the scope of this work. The grant has come from a £3.1m grant WSCC received from central government to develop and implement Local Covid-19 Outbreak Control Plans. The funding will mainly be applied to additional staffing costs.
- 2.8.6 Arun has also been awarded £75k from the DHCLG £30m Covid-19 Local Authority Compliance and Enforcement grant. This grant is specific and must be spent on eligible compliance and enforcement activity, including measures to raise public and business awareness and steps to encourage and support compliance. This will principally be delivered through the Environmental Health Team by bolstering existing resources, including appointment of temporary Environmental Health Information Officers.

2.9 **Management & Support Services**

- 2.9.1 No change from previous month. There are significant additional costs associated with IT and buildings, with some savings from the administrative buildings due to less staff being in the buildings.

2.10 **Corporate Underspend – Covid-19 support**

- 2.10.1 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 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). SMT (Senior Management Team) 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.

2.10.2 The budget has been assessed and £980k has been identified to support Covid-19 related expenditure and income losses if necessary. £8k has been allocated to fund dog service signage. The administration of the business grants has resulted in some additional costs in service areas like Revenues and Benefits. This additional expenditure is reported as adverse variations in the service areas to help with the completion of Covid-19 expenditure returns. The total of the corporate underspend can be used to offset the anticipated Covid-19 related overspend for 2020/21 and is summarised in the table below:

2.10.3 Covid-19 Support identified to September:

Covid-19 Support / Corporate Underspends September 2020			
	Aug 20	Sep 20	Change
	£'000	£'000	£'000
Underspends from services	15	35	20
Unrequired earmarked reserves	125	125	0
Contingencies/miscellaneous budget items	72	549	477
Additional non-ringfenced grants	258	279	21
Total identified corporate underspend	470	988	518
Virements actioned/earmarked from corporate underspend	0	(8)	(8)
Corporate Underspends August 2020 (Net)	470	980	510

2.10.4 It should be noted that there are a significant number of smaller underspends in service areas, with individual items too low for virement. This would include items like car allowance. These underspends are included in the variations below £20k in table 2.1 and will be reported once they reach significant levels later in the financial year. The Covid-support budgets have been applied to the General Fund on a pro rata basis straight line (table 2.1).

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 2020/21 the target is set at £500k, up from £450k in 2019/20 due to the increase in pension contributions on current contributions (reduction in the lump sum past service cost resulted in a net reduction in budgeted pension contributions).
- 4.2 The establishment vacancy target is currently over-achieved by (£330k). This includes the 2.75% pay award (2% budget) and was applied in September. There has been a reduction in recruitment due to lockdown and all vacancies require CMT approval before they are advertised with a view to making efficiency savings. This is due to the financial pressures that the Council is facing in future years as well as the Covid-19 net expenditure pressure in the current year.

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 £5.205m. 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 The income is currently £316k under achieved against expected to the end of September 2020, an improvement of (£69k) from the previous month. The improvement is mainly due to Planning income, which is (£147k) above budget profile (2.6.1). The most significant loss of income is for Car Parks £228k (paragraph 2.5.1 relates to Overall Car Park Pay and Display) where the income lost cannot be recouped and unlikely that losses in Land Charges £29k and Licensing £44k (paragraph 2.8.2) can be recouped. However, as mentioned in paragraph 1.6 these income streams have qualified for the governments SFC compensation scheme which is summarised in table 5.3. Property & Estates income is £136k lower than expected (Sundry Properties income paragraph 2.8.3 and Promenades and Foreshores 2.4.1) but this consists of rents which could still be collected, over a longer period of time, or rent levels could be impaired by the anticipated economic downturn. Rents do not qualify for the governments SFC compensation scheme. The situation with regard to service income will continue to be monitored closely.

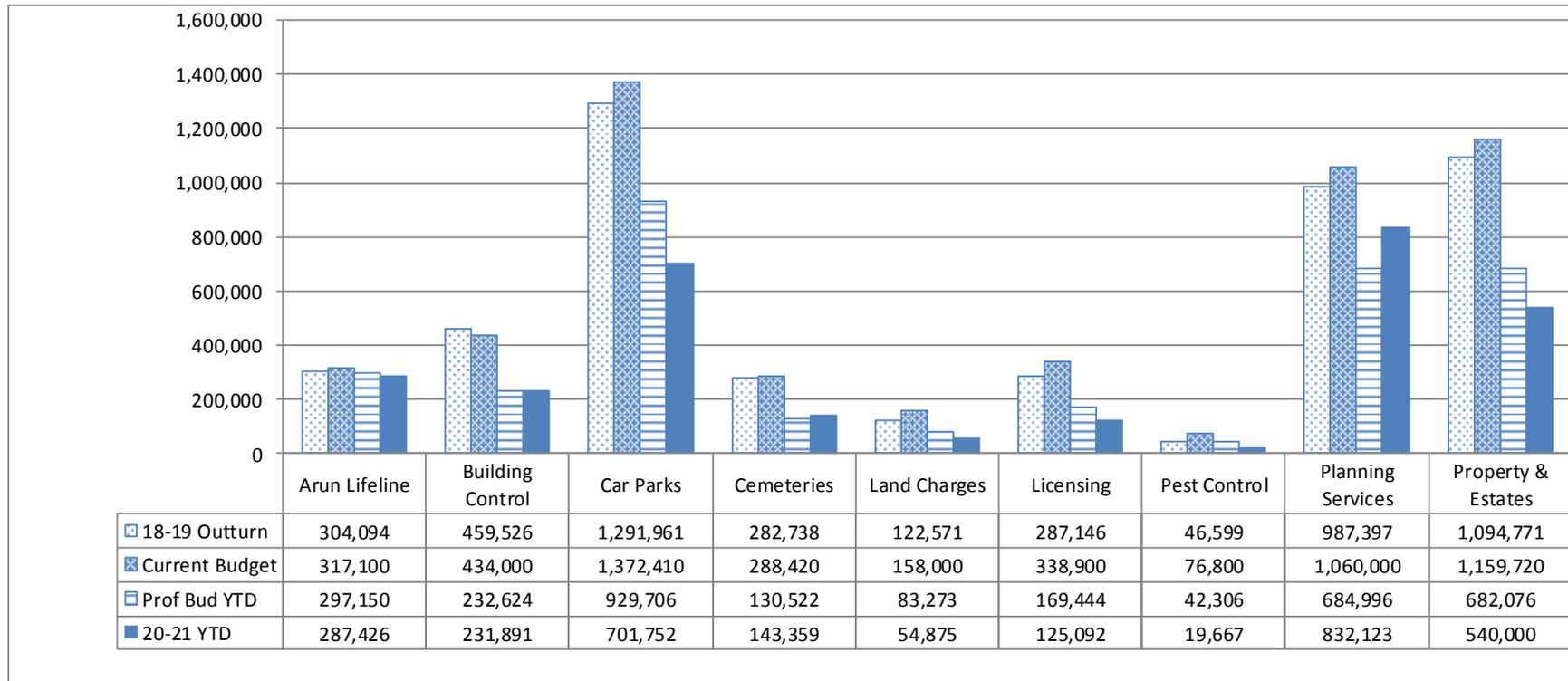
5.3 Income Compensation Scheme estimate to 30 September:

	Claim £'000
Off Street Parking Services	95
Recreation and Sport	271
Building Control*	-13
Other Regulatory Services	34
Central Services to the Public	93
Total	480

* BC income is now in line with budget & previously claimed income support will have to be repaid if the situation continues to November

5.4 The graph on the following page shows income by source and value, achievement to end of September 2020 against profiled budget, full year budget and outturn last year.

General Fund Income 2020/21



6 Covid-19 MHCLG Returns and estimated outturn

6.1 The Council has been providing the government with estimates of the adverse effect of the corona virus pandemic on services. The latest (round 6) return, which broadly correlates with the September monitoring statement forecasts additional net expenditure of £4.4m. This is in addition to the £0.9m Collection Fund losses predicted for future years. It should be noted that this figure is mitigated by the government's income support scheme and the C-19 government grants received. Significantly, the C-19 returns do not take the mitigating actions taken by the Council's management team into consideration, particularly in areas like establishment (which is strictly controlled) and the identification of in year saving. It also excludes the effect of favourable income variations against budget like Planning.

6.2 Estimated Outturn 2020/21

General Fund Reserve Movement estimated outturn 2020/21	Original Budget £'000	Current Budget £'000
Net Budget Requirement	26,238	26,923
Financed by:		
Government Grants and Retained Business Rates	(9,036)	(9,315)
Council Tax	(16,585)	(16,585)
Taken From / (Added to) Balances	617	1,023
General Fund Balance 01 April 2020	7,076	7,076
Budgeted draw down from GF Reserve	(617)	(617)
Supplementary Estimates	0	(406)
Current Budget Variation Estimated Outturn 2020/21	0	(86)
Income compensation scheme	0	480
Covid-19 support grant (pro rata)	0	1,187
Estimated Collection Fund deficit	0	(898)
General Fund Balance 31 March 2020	6,459	6,736

6.3 The original budget for 2020/21 assumed a reduction in the General Fund Reserves of £617k. The additional costs and loss of income associated with the Covid-19 pandemic has been highlighted throughout this report. The variance against budget is currently (£683k) (table 2.1). Full Council on the 15 July 2020 approved a supplementary estimate of £406k for additional financial support for our Leisure provider. This results in a broadly neutral outturn position against original budget assuming that the current variation continues. However, as highlighted in the report the budget position is anticipated to worsen over the second half of the year as more covid-19 restrictions are likely

to be imposed. Cabinet recommended further support of £192k for the Leisure provider for the third quarter and additional support is likely to be required for the final quarter of the financial year. The Council has taken action to mitigate the effects of the pandemic and the situation will continue to be monitored closely.

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 earmarked reserve balances will have to be closely examined to determine if any planned expenditure can be deferred if this funding is required to support the Council's financial position in the short term due to the Corona Virus pandemic.

8. Housing Revenue Account

- 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 September 2020 is shown in the table below:

Housing Revenue Account Reserve Movement estimated outturn 2020/21	Original Budget £'000	Current Budget £'000
HRA balance 01 April 2020	8,947	8,947
Budgeted deficit for 2020/21	(1,726)	(1,726)
Supplementary approvals		0
Capital slippage		(142)
Revenue slippage		0
Current Budget Variation Estimated Outturn 2020/21		0
HRA Balance at 31 March 2021	7,221	7,079

- 8.2 HRA revenue project slippage £142k for specialist fees related to IT work.
- 8.3 Repairs and maintenance (planned and responsive) expenditure – please refer to 9.2
- 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 still remain a key financial risk. The estimated number of RTB disposals for 2020/21 was set at 12 (there were 4 RTB disposals in 2019/20, 9 RTB disposals in 2018/19, 18 RTB disposals in 2017/18 and 24 in 2016/17). To date there has been 3 disposals in the current year.
- 8.6 Details of the HRA capital, improvements and repairs programmes are shown in paragraphs 8.6 Paragraph 9, covering Capital Receipts also has relevance for the Housing Revenue Account.

9. Capital Receipts

- 9.1 Arun has entered into an agreement with the Government to retain 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 £30 of receipts with £70 of its own funding (the 70/30 rule). 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 In June 2020 Arun signed an amendment to that agreement as the Government acknowledged that the Covid-19 crisis had halted or slowed down housing development. The amendment gives authorities time to catch up with their spending plans, by rolling up the next two deadlines (30/06/2020 & 30/09/2020) to the end of the calendar year 31 December 2020.
- 9.3 The table below shows Arun's investment requirements under the above terms:

	£'000
"1 for 1" receipts accrued to 30 September 2020	5,597
Arun's 70% contribution (70/30 X £5,597k)	13,060
Total investment requirement	18,657
Less amount already invested to 30 September 2020	14,686
Remaining investment requirement	<u>3,971</u>
By 31/12/2020	346
By 31/03/2021	1,321
By 30/06/2021	881
By 30/09/2021	703
By 31/12/2021	211
By 31/03/2022	0
By 30/06/2022	0
By 30/09/2022	343
By 31/12/2022	0
By 31/03/2023	8
By 30/06/2023	48
By 30/09/2023	110
Total	<u>3,971</u>

- 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. However, it will be extremely challenging to match the phasing of the payments for these and any other schemes with the investment requirement set out above.
- 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.
- 9.6 Exemption from pooling will be sought for all future newly built or acquired dwellings. 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's worth noting that these receipts will be net of any discount entitlement).
- 9.7 Expenditure required to 30/09/2020 had already been met in the first quarter of 2020/21.
- 9.8 Collective Enfranchisement is a right, subject to qualification, for owners of flats in a building and sometimes part of a building to join together and buy the freehold of that building (under the Leasehold Reform Housing & Urban Development Act 1993 (as amended)). This has been applied to a block of flats in Jarvis Road, Arundel with one of the flats being leased-back to Arun District Council for 999 years at a peppercorn rate.

10. Capital, Asset Management and Other Project Programmes

- 10.1 The Council's budget for 2020/21 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.
- 10.3 The table on the next page has been restated to include Capital and Revenue Expenditure for both General Fund and Housing Revenue Account.

General Fund

- 10.4 As the councils five year strategy moves forward including its cloud first approach it has been possible to maximise value from existing equipment by utilising spare capacity and extending replacement periods, this has resulted in £459k of scheduled replacements being moved to 2021/22 (SAN £324k, server, edge switch and VMware replacement at £135k).

Housing Revenue Account

- 10.5 The HRA capital programme has been assessed for 2020/21 and £1m has been identified for budgets that will not be required due to delays in the programme caused by the Covid-19 restrictions. The HRA budget for 2021/22 (as well as the HRA Business Plan) will reflect any additional funding required for 2021/22.

Asset management and other projects monitoring - September 2020

	Original Budget £'000	Current Budget £'000	Actual to date £'000
General Fund			
<i>Technical Services</i>			
Asset Management	903	1,838	225
Works to Public Conveniences	150	549	176
Cemetery Buildings & Walls	250	262	6
Fitzleet Car Park	250	310	70
Reactive Maintenance	295	295	124
Disabled Facilities Grants	1,500	1,500	727
<i>Corporate Support</i>			
Computer Services	180	245	2
GDPR	-	45	9
Storage Area Network (SAN)	350	350	25
Wireless Infrastructure	50	50	-
Digital Strategy	-	200	1
Arun Improvement Programme (AIP)	-	102	11
Web/Integration	-	118	1
EH System	-	61	-
Arun Improvement Programme (AIP)	-	80	3
<i>Community Wellbeing</i>			
Littlehampton Wave	-	212	67
<i>Economy</i>			
L'ton Public Realm Phases 1-2	-	2,285	27
L'ton Public Realm Phase 3	200	750	30
<i>Neighbourhood Services</i>			
Keystone Centre	-	250	-
Place St. Maur	-	237	-
Play Areas	100	191	-
Linden Rec	-	32	31
Canada Road	-	46	41
<i>Residential Services</i>			
Grants to Registered Social Landlords	-	-	-
Total General Fund	4,228	10,008	1,576

Housing Revenue Account

Stock Development	9,341	5,022	(51)
Longford Road	-	221	33
Windroos, Worthing Rd L'ton	-	2,320	114
Summer Lane, Pagham	-	5,631	308
Cinders Nursery, Yapton	-	1,800	6
Maltravers Old Social Club, Littlehampton	-	2,050	2,050
Quiet Waters, Angmering	-	1,250	1
Chichester Road, Bognor Regis	-	1,450	13
Canada Rd & Ellis Close	-	-	3
Housing IT	-	142	2
Housing Improvements	820	820	138
Domestic Boiler Installations	625	625	242
Commercial Boiler Rooms	100	100	11
Reroofing Programme	300	300	138
Kitchen & Bathroom Replacement Programme	400	400	21
Fire Compliance	300	300	27
Windows & Doors	1,200	1,200	734
Aids & Adaptations	250	250	125
Housing Repairs	1,850	1,850	764
Day to Day General Repairs	1,293	1,293	581
Voids	750	750	60
Total Housing Revenue Account	17,229	27,774	5,320
Total Programme	21,457	37,782	6,896

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.

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 £8.507m on deposit for s106 agreements, plus £3.068m held on behalf of other organisations (e.g. the NHS and WSCC). The total held on deposit is £11.575m.

- 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 £18k of receipts that are required to be spent within the next 5 years.
- 11.4 Pagham Harbour is designated as a Special Protection Area and Ramsar site, meaning that it is recognised at an international level in terms of playing an important role linked to the movement of species, specifically waders and wildfowl. Arun and Chichester District Councils have jointly agreed that in order to provide mitigation measures they will jointly fund at least one Warden who will be employed by RSPB, who will help promote, protect and educate the community in relation to the birds in Pagham Harbour. Planning applications for new housing developments within the Pagham Harbour zone are required to pay a contribution under s106 towards this initiative. The first contributions from applications in the Arun District, in the sum of £339k have been paid to Chichester District Council towards the scheme.

12. Cash Flow and Treasury Management

- 12.1 The Council is not foreseeing any cashflow problems due to the significant grants that have been paid early or up front by the Government to aid Local Authority cashflow. However, the interest paid on new cash investments have dropped significantly since the start of the pandemic. Returns are mainly holding up due to investment decisions made in previous years and partly due to the significant cash injections by the government to aid cashflow. The estimated outturn is currently around £20k below original budget.

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 single most significant risk, which has been highlighted throughout the report is the additional service expenditure and 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 Covid-19 pandemic.
- 13.2 Other risks which are inherent within the overall budget are analysed below.
- 13.3 Paragraph 11.2 above outlines the situation with regard to the additional receipts generated by the relaxation of the Right to Buy discount rules ("1 for 1" receipts). The key risk here is that failure to make the necessary level of investment within the required timescale will lead to 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 0.10%) plus 4%. We are experiencing a significant reduction in new "1 for 1" receipts, the sums repaid might not be replaced by new receipts. If the programme slips, this might lead to Arun having to borrow a greater proportion than 70% of the total cost of the schemes, leading to increased loan servicing costs.

- 13.4 Housing Benefit claims are gradually being transferred to the Universal Credit scheme (approximately 100 per month) which will eventually level out. There will be claims handled by the local authority which will not transfer to the Universal Credit scheme. These will include pensioners and claimants who require supported accommodation.

The cost to the local authority will largely depend on how many landlords provide this service in the area, however, at present the cost to Arun District Council is steadily increasing, £323k 2018-19, £452k 2019-20 and current estimate £561k 2020-21.

- 13.5 The United Kingdom has now left the European Union as of 31 January 2020. Further negotiations are continuing, and this could impact on the overall economy, in particular money market, property markets and inflation.

14. Conclusions and Recommendations

- 14.1 The significant financial effect of the Covid-19 pandemic to the end of September is detailed in the report. These financial pressures are likely to continue and get worse for the current financial year and future years. However, the government's SFC income compensation scheme has had a significantly favourable effect on the Council's financial position. The Council has also identified £980k of its own resources to support the additional net expenditure due to C-19. The Council is also aware that there will be Collection fund losses in 2021/22 and it is recommended that £900k, if the current favourable condition continues, is transferred to the Funding Resilience reserve to be applied in 2021/22 (or in accordance with government direction). There are also smaller budget savings, which cumulatively, will become more significant in the later part of the year. The financial position will continue to be monitored closely and the loss of income and additional expenditure forecasts updated as more and better quality information becomes available.