

ARUN DISTRICT COUNCIL BUDGET MONITORING

Financial Position as at end of December 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 December 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 8 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 December 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 December 2020

	Variance on Budget Nov £'000	Variance on Budget Dec £'000	Change £'000
Service controllable spend			
Community Wellbeing			
Promenades & Foreshores - concessions/rents	28	30	2
Recreation & Sport - management fee	538	602	64
Neighbourhood Services			
Car Parks - Fees and Charges (including income collection savings)	244	242	(2)
Planning Services			
Planning - Fees and Charges	(151)	(252)	(101)
Residential Services			
Council Tax - Court Costs reduction in fees and charges	63	133	70
Homelessness & Temporary Accommodation	410	466	56
Technical Services			
Land Charges - Fees and Charges	20	20	0
Licenses - Fees and Charges	71	71	0
Pest Control - Fees and Charges	32	32	0
Sundry Properties - Rents	99	200	101
Management & Support Services			
Civic Centre - Working from home	(31)	(31)	0
Computer Services - Working from home	48	48	0
Corporate Training - Training Programme Savings	(12)	(12)	0
Additional Monitoring Officer and associated costs	40	40	0
Other Variances less than +/- 20k	(164)	(260)	(97)
Total Service controllable budget variance	1,235	1,329	93
Corporate controllable budget			
Establishment against savings target	(475)	(408)	67
Covid-19 support/corporate underspend (net) pro rata	(715)	(804)	(89)
Interest and Investment Income	0	(65)	(65)
General Fund net expenditure variance against profiled budget*	45	52	7
Covid-19 Income Compensation scheme (estimated)	(637)	(723)	(86)
Covid-19 support grant (£2.373m pro rata)	(1,581)	(1,779)	(198)
Collection Fund deficit forecast (transfer to reserves)	1,326	1,326	0
	(847)	(1,124)	(278)

2.2 Table 2.1 above shows a general net expenditure variance of (£1,124k) favourable against expected (profiled budget) to the end of December 2020. This is an increase of (£278k) from the previous month. 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. The Council has benefitted significantly from the governments SFC (Sales, Fees and Charges) income compensation scheme which is estimated to contribute (£723k) towards the income shortfall in the relevant areas (2.3.2).

2.3.1 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). The grant has been applied to the General Fund summary (table 2.1) on a pro rata (monthly) basis. The Council finances have benefitted from a good summer, stringent control of the establishment (4.2) and other controllable spend, in addition to buoyant income streams like Planning (2.6.1). In addition, £1.072m has been identified as in year savings (2.10.2) including New Burdens Funding where the vast proportion of the additional work has been carried out at minimal additional cost. The district moving to Tier 4 during late December 2020 and more recently joining the rest of the country in a third full lockdown from 5 January 2021, has added to the level of uncertainty over income and expenditure for the remainder of 2020/21 and 2021/22. The main financial risk remains around the support to the Leisure provider (2.4.2) and General Fund homelessness (2.7.2), with the loss of income being mitigated by the SFC income compensation scheme which is summarised in table 2.3.2. below.

2.3.2 The SFC Income Compensation Scheme estimate to December 2020:

	December £'000
Car Parks	144
Central Services	106
Leisure Support	421
Regulatory Services	81
Building Control	(29)
Total:	723

2.4 Community Wellbeing

2.4.1 Promenades and Foreshores (promenades sundry properties income) is currently £28k below expected to date. This is mainly due to Covid-19 and the situation is anticipated to continue until the end of the financial year.

2.4.2 The Council's leisure provider was severely affected by the pandemic with the centres forced to close by the government on three occasions. Full Council has approved supplementary estimates totalling up to £598k. A further

supplementary estimate of up to £178k for the final quarter of 2020/21 was approved at Full Council 13 January 2021 (total £778k for 2020/21). The adverse variation against profiled budget of £602k relates to the management fee (£802k full year). The government's income compensation scheme allows £421k of the income lost to date to be recouped (£572k full year).

2.5 Neighbourhood Services

- 2.5.1 Overall Car Park Pay & Display is £242k below its profiled budget (this will be mitigated by £122k from the SFC compensation scheme). Car Park charges ceased on 1 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 £21k 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 (£252k) against a profiled budget of £758k (20% up). This is largely due to 14 applications over £20k received to date totalling £430k 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 five demand notices totalling £59k have been issued to date.

2.7 Residential Services

- 2.7.1 Council Tax income in relation to court costs is below profile by £133k. This is due to courts being closed at the beginning of the pandemic and now recently with the third national lockdown, resulting in a backlog. This situation is anticipated to continue until the end of the financial year. However, it is anticipated that this loss of income will be covered by the SFC compensation scheme.
- 2.7.2 Net expenditure on nightly paid accommodation for homeless households is currently profiled to be £133k (excluding Covid-19 related expenditure of £333k) above the set budget by the end of the year. Whilst the number of placements remains similar to last year, the length of stay in emergency accommodation has increased. This is due to two main factors. At the beginning on Lockdown One, for a period of approximately four months there was a government directive to continue to accommodate households where a negative decision had been issued and who would otherwise have been asked to leave

accommodation. This was to help mitigate the risk of spreading the Covid-19 virus.

- 2.7.3 Furthermore, as a result of the virus there has been a national stay on possession proceedings which has resulted in the supply of private rented accommodation being reduced as landlords have not been able to apply to court to gain possession of their properties. This has impacted on the Housing services ability to move households on from emergency accommodation into the private rented sector.

Nightly paid monitoring - December 2020				
	Actual to Date 2019/20 £'000	Outturn 2019/20 £'000	Original Budget £'000	Actual to Date £'000
Expenditure (exc Covid-19)	1,226	1,652	1,290	1,112
COVID-19 Expenditure	0	0	0	333
Gross Expenditure	1,226	1,652	1,290	1,445
Income	(398)	(516)	(440)	(375)
Net Expenditure	828	1,136	850	1,070
Income including Housing Benefit recovered	32%	31%	34%	26%

2.8 Technical Services

- 2.8.1 License fees and charges are currently below profile by £71k. 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.
- 2.8.3 The uncertainty around Covid-19 has meant that estimating rent income is very complex. As a result, property income could see an adverse variance of up to £230k (£150k Bognor Regis Arcade, £50k other sundry properties and £30k Proms & Foreshores) by the end of the financial year. The variance is made up of vacancies, write offs and estimated doubtful debts.
- 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, with each case being considered on its own merit.
- 2.8.5 Arun has also been awarded £75k from the DHCLG £30m Covid-19 Local Authority Compliance and Enforcement grant. This is in addition to the £75k grant for Covid-19 prevention interventions from WSCC reported in August 2020. 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.

2.8.6 West Sussex Local Authorities (LA's) and WSCC have been working together on a project to provide greater consistency in the delivery of adaptations to allow people to live independently for longer and to improve the customer journey, in particular to reduce the time it takes to deliver adaptations. A single county adaptations policy was trialled during 2019, revised and adopted in January 2020 by all LA's in West Sussex. Historically the establishment administering these adaptations has been resourced from the General Fund supplemented with agency workers funded from ADC's Better Care Fund (BCF)/Disabled Facility Grant (DFG) allocation. There has now been a shift by other Local Authorities to using their BCF allocations to fund all the establishment administering the adaptations. From 2020/21 Arun will use its allocation to resource the existing establishment delivering adaptations equating to £120k per annum saving to the General Fund. Alongside this, it was agreed to increase the establishment by two posts from 2021/22 to replace the agency works.

2.9 Management & Support Services

2.9.1 There are significant additional costs associated with IT, which is mainly related to one off costs like laptops for working from home. There are also additional costs in relation to administrative buildings to ensure they are Covid-19 safe, with some savings due to staff working from home.

2.9.2 A (£20k) saving has been identified from the Corporate Training programme, as training has been delayed due to C-19.

2.9.3 There have been two attempts to fill the vacant post of Group Head of Council Advice and Monitoring Officer since the vacancy occurred in August 2020. Unfortunately, both attempts have failed to appoint. A further approach, through a consultancy, is planned for January through to March 2021. Because of this vacancy, the CEO has had to appoint interim Monitoring Officers (2) and appoint another consultancy to assist with Information Management requests/Data Protection, both of which are legal requirements for the Council. The net additional costs (net of establishment savings) are anticipated to be in excess of £100k for 2020/21. Although this can be funded from the Vacancy Management allowance (which is currently exceeded by (£408k) (4.2)) it remains an issue of concern. The situation will continue to monitor closely.

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 £1,072k 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 December:

Corporate Underspends Confirmed December 2020			
	Nov 20	Dec 20	Change
	£'000	£'000	£'000
Underspends from services	34	34	0
Underspends from services (Covid-19 Related)	30	30	0
Additional investment income	0	0	0
Underspends from contingencies/miscellaneous budgets / corporate controllable	737	737	0
Additional non-ringfenced grants	279	279	0
Total identified corporate underspend	1,080	1,080	0
Virements actioned/earmarked from corporate underspend	(8)	(8)	0
Corporate Underspends December 2020 (Net)	1,072	1,072	0

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-19 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.

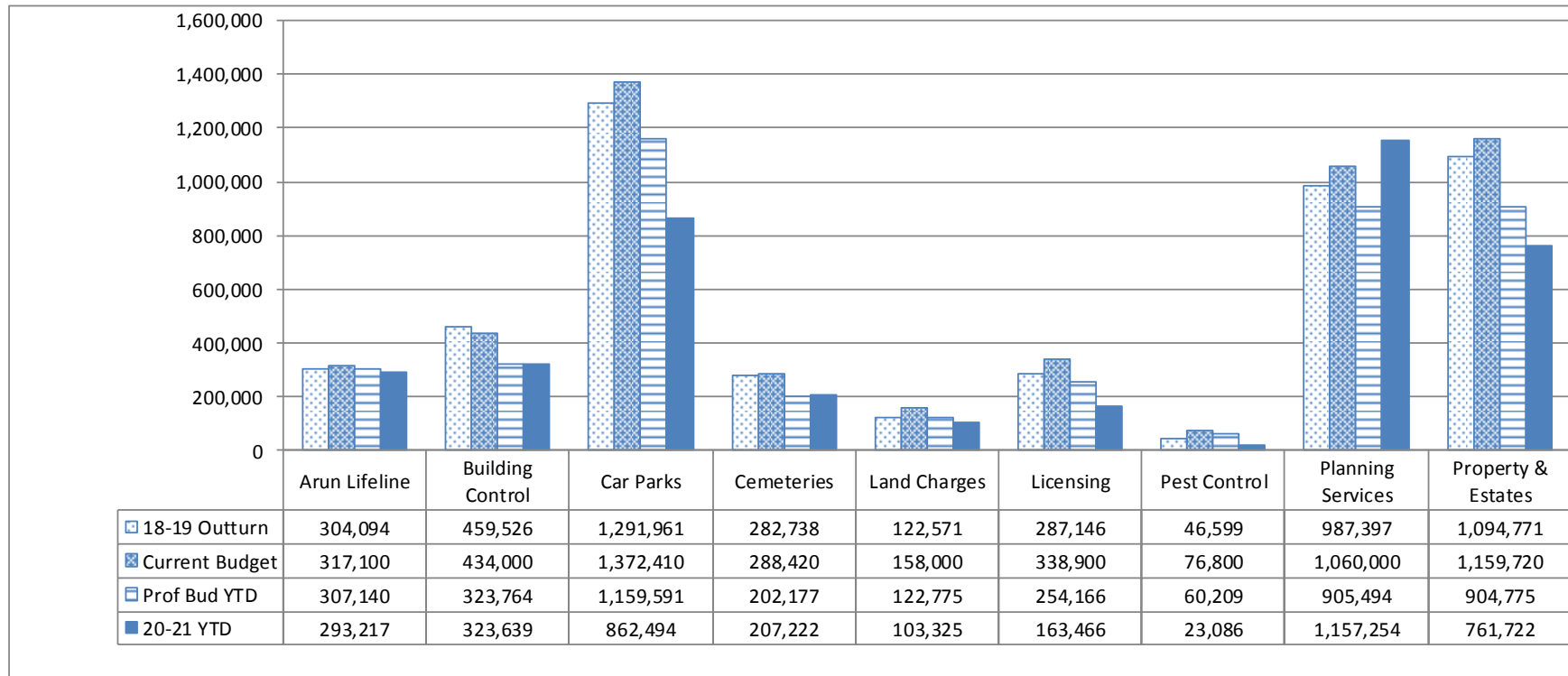
4. Establishment

- 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 (£408k). This includes the 2.75% pay award, which was an additional 0.75% above budget of 2% budget. 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 £345k under achieved against expected to the end of December 2020, a change of (£19k) from the previous month. The improvement is partly due to coming out of the second National Nation Lockdown in Tier 2. The most significant loss of income is for Car Parks £242k (paragraph 2.5.1) where the income lost cannot be recouped. It is also highly unlikely that losses in Land Charges £20k and Licensing £71k (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 2.3.2. Property & Estates income is £144k 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 The graph on the following page shows income by source and value, achievement to end of December 2020 against profiled budget, full year budget and outturn last year.

General Fund Income 2020/21



6 Covid-19 MHCLG Returns and Collection Fund losses

- 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 8) return, which broadly correlates with the November monitoring statement forecasts additional net expenditure of £3.6m. Significantly, the Covid-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 (£1.072m paragraph 2.10.3). It also excludes the effect of favourable income variations against budget like Planning.
- 6.2 It is recommended that the £1.326m in year collection fund losses that will fall on the General Fund in 2021/22 will be added to a specific reserve, subject to the current favourable variations continuing to the end of the financial year.
- 6.3 In response to the Covid-19 pandemic the Government awarded new rate reliefs for the retail, leisure and hospitality sectors. These reliefs resulted in a significant reduction in business rate income and the Government compensated local authorities for this loss with grant payments. These grant payments are being made in the current financial year (2020/21) but the corresponding loss of income won't impact on Arun's General Fund until 2021/22 when the collection fund deficit for 2020/21 is distributed. For Arun the grant payments are estimated to be £7.865m and it is recommended that this sum is put into a reserve in the current year and released in 2021/22 to offset the corresponding loss of business rate income.
- 6.3 **Estimated Outturn 2020/21**

General Fund Reserve Movement estimated outturn 2020/21	Original Budget £'000	Current Budget £'000
Net Budget Requirement	26,238	27,155
Financed by:		
Government Grants and Retained Business Rates	(9,036)	(9,315)
Council Tax	(16,585)	(16,585)
Taken From / (Added to) Balances	617	1,254
General Fund Balance 01 April 2020	7,076	7,076
Budgeted draw down from GF Reserve	(617)	(617)
Supplementary Estimates	0	(638)
Current Budget Variation Estimated Outturn 2020/21	0	(52)
Income compensation scheme	0	723
Covid-19 support grant (pro rata)	0	1,779
Estimated Collection Fund deficit earmarked reserve	0	(1,326)
General Fund Balance 31 March 2020	6,459	6,945

- 6.4 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 (£1,124k) (table 2.1). Full Council has approved supplementary estimates totalling £638k. This results in a favourable against original budget assuming that the current variation continues. There is also a supplementary estimate of £184k for the Sunken Garden scheme in Bognor Regis (full cost £500k) due to be considered by Full Council in January, in addition to the Leisure support for the fourth quarter of £178k. There is also the risk of a worsening position in relation the collection of HB overpayments, which could result in a further adverse position against budget of around £300k (13.5). The Council may also be able to claim under the Local Tax compensations scheme, announced with the provisional Settlement, but the amount will not be known until the Accounts for 2020/21 are finalised. The Council has taken action to mitigate the effects of the pandemic and the situation will continue to be monitored closely.
- 6.5 The table below summarises the supplementary estimates. These will be offset by current budget variations as shown in table 6.3 above:

Reconciliation of Original to Current Budget Reserve Movement December 2020	Original	Current	Change
	Budget	Budget	Change
	£'000	£'000	£'000
Taken from / (Added to) Balances	617	1,255	638
Leisure Contract Covid-19 Support Full Council 15/7/2020		406	
Leisure Contract Covid-19 Support Full Council 26/11/2020		192	
Planning Appeals Full Council 16/09/2020		<u>40</u>	
Total Estimated Supplementary Approvals to end of December 2020			638

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 December 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
Capital Underspend		1,000
Current Budget Variation Estimated Outturn 2020/21		225
HRA Balance at 31 March 2021	7,221	8,304

- 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 4 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. An extension was given in December 2020 providing authorities time to catch up with their spending plans by rolling up the next three deadlines (30/06/2020, 30/09/2020 & 31/12/2020) to the end of the financial year 31 March 2021.

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

	£'000
"1 for 1" receipts accrued to 31 December 2020	5,597
Arun's 70% contribution (70/30 X £5,597k)	13,060
Total investment requirement	18,657
Less amount already invested to 31 December 2020	15,259
Remaining investment requirement	<u>3,398</u>
By 31/03/2021	1,095
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	109
By 31/12/2023	0
Total	<u>3,398</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.

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 In November the final payment was made for the 14 units at Windroos, Littlehampton and in December land at Chichester Road, Bognor Regis was purchased which will see the delivery of 8 units once completed.
- 9.8 There was one right to buy in the quarter but because of its low value it resulted in no 1-4-1 receipts (see paragraph 8.5).

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 There have been some delays to the IT replacement programme in this financial year to enable the Council's cloud strategy to kick in. This has resulted in £459k of scheduled replacements being deferred to 2021/22 (SAN £324k, server, edge switch and VMware replacement at £135k).
- 10.5 The contract has just been awarded for preconstruction services to the Littlehampton Public Realm Scheme which has two main sources of grant funding. In October, a variation was agreed with the main grant funder to reduce the number of phases of the scheme to allow the main improvements to the High Street to proceed as a result of tenders coming in over budget.
- 10.6 The Place St. Maur scheme report will be considered at Full Council for approval in January 2021. Since the report was written it has been confirmed that we have been awarded £1.2m towards the scheme by Coast to Capital 'Getting Building Fund'. Once the gross budget is approved, including the Council's additional contribution of £370k to the scheme, this will be reflected in the monitoring report.
- 10.7 The tender for Worthing Road Play area will be awarded in December. If approved this project will be funded from S106 receipts set aside for this purpose.

Housing Revenue Account

- 10.5 The Housing Improvements budget has been reduced by £1m to reflect the estimated underspend at the end of Financial Year.
- 10.6 The report for a supplementary estimate for the replacement of the QL Housing Management System will be considered at Full Council on 13 January 2021.

Asset management and other projects monitoring - December 2020

	Original Budget £'000	Current Budget £'000	Actual to date £'000
General Fund			
<i>Technical Services</i>			
Asset Management	903	2,052	376
Works to Public Conveniences	150	549	195
Cemetery Buildings & Walls	250	262	6
Fitzleet Car Park	250	310	138
Bognor Regis Bandstand	-	140	74
Reactive Maintenance	295	193	114
Disabled Facilities Grants	1,500	1,500	1,194
<i>Corporate Support</i>			
Computer Services	180	245	-
GDPR	-	54	12
Storage Area Network (SAN)	350	350	25
Wireless Infrastructure	50	50	-
Digital Strategy	-	200	3
Arun Improvement Programme (AIP)	-	102	12
Web/Integration	-	118	5
EH System	-	61	-
E5 upgrade	-	80	43
<i>Community Wellbeing</i>			
Littlehampton Wave	-	212	73
<i>Economy</i>			
L'ton Public Realm Phases 1-2	-	2,285	45
L'ton Public Realm Phase 3	200	750	39
<i>Neighbourhood Services</i>			
Keystone Centre	-	250	-
Place St. Maur	-	237	7
Play Areas	100	87	-
Linden Rec	-	32	31
Canada Road Play Area	-	46	41
Canada Road Skate Park	-	83	-
Goldcrest Play Area	-	16	-
Rose Green Play Area	-	22	-
Worthing Road Play Area	-	82	-
Total General Fund	4,228	10,368	2,433

	Original Budget £'000	Current Budget £'000	Actual to date £'000
Housing Revenue Account			
Stock Development	9,341	8,396	4
Longford Road	-	41	33
Windroos, Worthing Rd L'ton	-	502	349
Summer Lane, Pagham	-	4,254	419
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	520	167
Domestic Boiler Installations	625	525	455
Commercial Boiler Rooms	100	50	11
Reroofing Programme	300	225	127
Kitchen & Bathroom Replacement Programme	400	75	67
Fire Compliance	300	300	331
Windows & Doors	1,200	1,050	863
Aids & Adaptations	250	250	186
Housing Repairs	1,850	1,850	1,621
Day to Day General Repairs	1,293	1,293	1,171
Voids	750	750	664
Total Housing Revenue Account	17,229	26,773	8,767
Total Programme	21,457	37,141	11,200
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 £8.814m on deposit for s106 agreements, plus £3.184m held on behalf of other organisations (e.g. the NHS and WSCC). The total held on deposit is £11.708m.
- 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 £17k 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 £65k above original budget. The introduction of the CCLA diversified fund at rates of approximately 3% have enhanced the value achieved in this low interest rate environment.

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 As a result of courts being closed during the Covid-19 outbreak, implementation of Universal Credits and unable to secure debts with DWP it is proving more difficult to collect Housing Benefit overpayments. As a result, the collection rate to date is currently 50% down on the previous year. This could result in an additional overspend within the service by as much as £300k by year end.

14. Conclusions and Recommendations

- 14.1 The significant financial effect of the Covid-19 pandemic to the end of December is detailed in the report. These financial pressures will continue for the remainder of the financial year and into 2021/22. The government's SFC income compensation scheme continues to have a significantly favourable effect on the Council's financial position. The Council has also identified £1.072m (2.10.3) 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 the current year that won't be distributed to the General Fund until future years. It is, therefore, recommended that £1.326m is transferred to a specific reserve to be applied in from 2021/22 (phasing over 3 years in accordance with government direction). The Tax compensation scheme will have a favourable effect on the Council's finances, but the full effect will not be known until the end of the Financial Year. 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.