

# ARUN DISTRICT COUNCIL BUDGET MONITORING

## Financial Position as at end of September 2021

### 1. Introduction

- 1.1 This report sets out the Capital, Housing Revenue and General Fund Revenue budget performance to end of September 2021 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.
- 1.3 Following the vaccine roll out programme, with most Covid-19 restrictions having ended on 19 July 2021 and most of the Government support tailing off by 30 September 2021, budget performance will need to be carefully monitored. The Government is continuing to monitor Covid-19 related expenditure, reductions in income and reserves.
- 1.4 From May 2021 a Committee Structure has been put in place. The Budget Monitoring Report has been completed on this basis.

### 2. General Fund Summary

- 2.1 The 2021/22 budget was approved by Full Council on 17 February 2021.
- 2.2 The General Fund performance to end of September 2021 against profiled budget is given in the table below. The table presents only the variances on budget in excess of +/- £20k.

<b>General Fund variance on profiled budget to end of September 2021</b>			
<b>Service controllable spend</b>	<b>Variance on Budget Jul £'000</b>	<b>Variance on Budget Sep £'000</b>	<b>Change £'000</b>
<b>Economy Committee</b>			
Land Charges - Fees & Charges	(22)	(23)	(1)
<b>Environment Committee</b>			
Building Control - Fees & Charges	(46)	(78)	(32)
Cemeteries	0	(36)	(36)
The Arcade, Bognor Regis - Rent	0	69	69
<b>Planning Policy Committee</b>			
Planning - Fees & Charges	(180)	(355)	(175)
<b>Housing and Wellbeing</b>			
Council Tax - Court costs collection	0	(92)	(92)
Homelessness	0	32	32
Leisure Contract Management Fee	0	310	310
<b>Other Variances less than +/- 20k</b>	(174)	(215)	(41)
<b>Total Service controllable budget variance</b>	<b>(391)</b>	<b>(388)</b>	<b>3</b>
<b>Corporate controllable budget</b>			
Establishment against savings target	30	32	2
Corporate Underspends	0	(128)	(128)
<b>General Fund net expenditure variance against profiled budget</b>	<b>(403)</b>	<b>(484)</b>	<b>(81)</b>
<b>Covid-19 Income Compensation scheme 1st Quarter 2021-22</b>	<b>0</b>	<b>(173)</b>	<b>(173)</b>
	<b>(403)</b>	<b>(657)</b>	<b>(254)</b>

2.3 Table 2.2 above shows a general net expenditure variance of (£657k) favourable against expected (profiled budget) to the end of September 2021. Variations on services first, followed by corporately controlled budgets.

2.4 The Council was awarded (£831k) of non-ringfenced Covid-19 Government support in 2021/22. This was included in the original budget for 2021/22.

## 2.5 Economy Committee

2.5.1 Land charges income is (£23k) above profile budget year to date. This service was hit particularly hard at the start of the pandemic but is now 38% up on the previous "normal" year of 2019/20 largely due to the reduction in Stamp Duty because of the Covid-19 pandemic. Stamp Duty has reverted to its pre-pandemic rates at the end of September 2021.

## 2.6 Environment Committee

- 2.6.1 Building Control fees and charges are currently (£78k) above profile. This is 34% up on the previous “normal” year of 2019/20. There is work in the pipeline from Covid-19 lockdown although the lack of material availability and high prices is slowing the building trade down.
- 2.6.2 Income on Cemeteries is currently (£36k) above profile due in part to an increase in demand for burial of cremated remains and the catch up of delayed burials during the lockdown periods.
- 2.6.3 Income from The Arcade, Bognor Regis is currently £69k below profile. This is largely due to current rent arrears of £58k with other small variances making up the remaining £11k (vacancies less additional income from previously vacant units). It should be noted that the prior year arrears were £192k.

## 2.7 Planning Policy Committee

- 2.7.1 Currently, planning income is (£355k) above profile. This is largely due to income from one commercial and seven residential planning applications over £30k each in year to date. £256k of income was transferred from 2020/21 to 2021/22 at year end (compared to £237k in the previous year) to limit the financial risk of refunds from income already received.

## 2.8 Housing and Well Being Committee

- 2.8.1 Council Tax court costs received to date are (£92k) above the full year profile. This is largely due to the backlog of court cases from the previous year.
- 2.8.2 To date, the overall spending variance for nightly paid accommodation and homelessness is £32k above profile.

The £32k over profile consists of a number of items, shown below:

	£'000
Cost of nightly paid accommodation	157
Ex-offenders grant receivable	(96)
Underspend on flex grant	(69)
Unanticipated spend on COVID items	26
Other items	14
<b>Total over/(under) spend</b>	<b>32</b>

- 2.8.3 Demand for emergency accommodation continues at the same levels as previous months. Whilst people are leaving emergency accommodation (for a variety of reasons), there are still new cases approaching the Council for help who require accommodation. As a result of this, there are no real net reductions in the overall number of placements. The two highest causes of homelessness are loss of assured shorthold tenancy and parental/family/friend evictions. This is the same as previous months and is also reflected in national trends. The risk to budget performance due to factors including Covid-19 was recognised as part of the budget 2021/22 and final accounts 2020/21 closedown process and funding was identified for this purpose. The situation will continue to be closely monitored and an update will be provided for the third quarter of 2021/22.

- 2.8.4 The Ministry of Housing, Communities and Local Government (MHCLG) (now Department for Levelling Up, Housing and Communities (DLUHC)) invited bids from all Local Authorities (LAs) to secure funding to support ex-offenders to access accommodation in the private rented sector. The DLUHC is supporting Local Authorities to deliver a service to reduce rough sleeping for prison leavers and ex-offenders. Total grant awarded for 2021/22 is £192k, with a further £9k in 2022/23.
- 2.8.5 The Rough Sleeper Initiative (RSI) Funding is to support Local Authorities reduce the numbers of people sleeping rough but also to prevent people from losing their accommodation and living on the streets. There are several projects sitting under the RSI umbrella; Housing First which is accommodation with intensive support, Tenancy Sustainment and Prevention Workers and a Support Worker for Non-UK Nationals for people with no recourse to public funds. Also included in the initiative are Support Workers to help people move on from emergency accommodation, access to financial support to access the private rented sector and funding for a Rough Sleeper Co-ordinator. The Council has so far been awarded a £130k uplift funding for Rough sleeping in 2021/22 due to Covid-19.
- 2.8.6 Meetings with Freedom Leisure (FL) have continued on a regular basis to gauge the levels of ongoing support required. The recovery continues to be challenging for FL and income levels are anticipated to be at their pre-lockdown level by the financial year end. No direct financial support is currently required. The £310k variation to budget profile relates to the Leisure Management fee which has been deferred to help with Freedom Leisure's cashflow. It is anticipated that the management fee will start to be collected from January 2022. The Council has been able to apply for the Government's Sales Fees and Charges compensation scheme for the first quarter of 2021/22 resulting in an anticipated contribution of (£201k less deductibles). A report will be presented to a future Housing and Wellbeing Committee outlining the current situation and expected financial out turn for 2021/22.

## 2.9 Corporate Underspend

- 2.9.1 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 £128k at the end of September 2021 and the breakdown is shown in the following table:

<b>Corporate Underspends Confirmed September 2021</b>			
	<b>Jul 21</b>	<b>Sep 21</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Additional investment income	0	75	75
Additional non-ringfenced grants	0	166	166
Total identified corporate underspend	0	241	241
Virements actioned/earmarked from corporate underspend	0	(113)	(113)
Corporate Underspends September 2021 (Net)	0	128	128

2.9.2 There has been an additional £75k contribution to the corporate underspends due to extra investment income and £166k contribution from non-ringfenced Covid-19 Grants.

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

	<b>£'000</b>
Trisanto Update (Arun District Council's property company)	35
Economic Regeneration Project Delivery Role	30
Coast Protection Update	30
Palmer Road Community Sports Hub Review	18
<b>Total</b>	<b>113</b>

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

3.1 Arun District Council hosts several services under its stewardship as the Accountable Body. Whilst these services are entirely externally funded, Arun District Council has service provision interests. These services are the Wellbeing team and Car Parking enforcement. There are no budgetary concerns to report on these services.

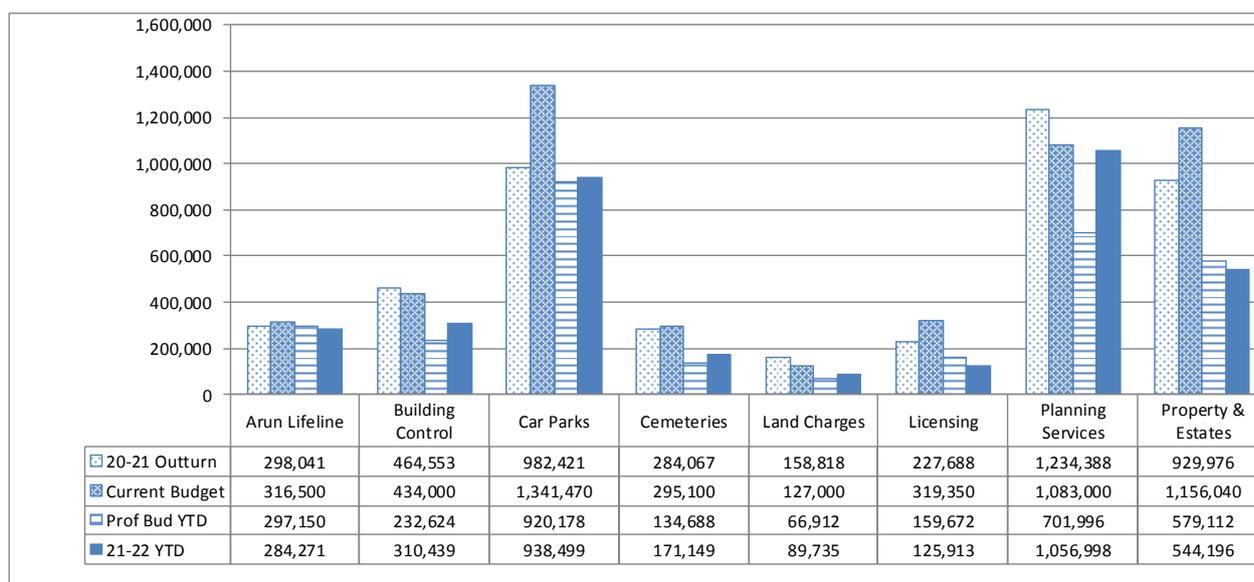
### **4. Establishment**

4.1 Each year a vacancy management target is included within the budget to ensure that the establishment complement is scrutinised for efficiency and reflects the needs of on-going service delivery changes. For the Financial Year 2021/22 the target is set at £500k.

4.2 The current vacancy allowance is £32k above profile to September 2021, however, this allows for the estimated backpay in relation to the anticipated minimum pay award of £130k. The latest situation is that the National Employers for local government services made a final pay offer to the unions representing the main local government NJC workforce of 1.75%. The current offer has been rejected by the unions so the final figure could be higher. The rejection of the offer could lead to a dispute which will further delay the implementation. This will make budget monitoring more difficult.

## 5. Income

- 5.1 Income from fees, charges and rents are included within net cost of service. In total, the original budget amounted to an overall financing of £5.085m. However, since the original budget was approved, a reduction was made to a revised figure of £5.072m using contingency budget. This was because of an agreed reduction for customers with Beach Huts due to lockdown measures during April 2020 to June 2020. 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 General Fund income is currently overachieving by (£429k), largely due to additional Building Control income (£78k - paragraph 2.6.1) and Planning income (£355k - paragraph 2.7.1).
- 5.3 The graph below shows income by source and value, achievement to end of September 2021 against profiled budget, full year budget and 2020/21 outturn.



- 5.4 A claim has been submitted to DLUHC for (£173k) for Sales, Fees and Charges Compensation for Quarter 1 of 2021/22. The funds will be received later in the year. The scheme is ceasing, and it is likely that no further support will be receivable.

## 6. Estimated Outturn

- 6.1 The table below shows the approved supplementary estimates up to 30 September 2021, which will be funded from balances:

<b>Reconciliation of Supplementary Approvals</b>		
	<b>Estimates</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
Fitzalan Road accoustic fencing FC 14/07/2021	25	
Planning Appeal P/58/19/PL	26	
Planning Appeal BN/142/20/OUT	50	
West Bank Strategic Allocation FC 15/09/2021	50	
	<hr/>	
<b>Total Supplementary Approvals to end of September 2021</b>		<b>151</b>

6.2 The change in the planned original budget General Fund Reserve movement due to budget performance to end of September 2021 is shown in the table below:

<b>General Fund Reserve Movement estimated outturn 2020/21</b>	<b>Original Budget</b>	<b>Current Budget</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net Budget Requirement</b>	<b>18,122</b>	<b>19,369</b>
<b>Financed by:</b>		
Government Grants and Retained Business Rates	(1,457)	(2,554)
Council Tax	(16,665)	(16,665)
<b>Taken From / (Added to) Balances</b>	<b>(0)</b>	<b>151</b>
<b>General Fund Balance 01 April 2021</b>	<b>7,076</b>	<b>7,076</b>
Budgeted draw down from GF Reserve	0	(151)
Current Budget Variation Estimated Outturn 2021/22	0	657
<b>General Fund Balance 31 March 2021</b>	<b>7,076</b>	<b>7,582</b>

This result in an estimated General Fund Balance of £7.6m at the end of the financial year provided that the current favourable budget profile variations continue. The profiled budget is also under review in relation to the leisure management fee, which will also improve the outturn position.

## 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 Council held £29.162m in earmarked reserves at 1 April 2021. This balance is anticipated to reduce to £13.829m at the end of the financial year. The reduction is mainly due to s31 grants that were received in 2020/21 as compensation for business rate discounts having an adverse effect on the collection fund in the current year. The Council earmarked this funding as the General Fund Balance would have been significantly overstated.
- 7.3 To mitigate covid related financial risk £538k was earmarked for covid catch up work and it is unlikely that the full sum will be required in 2021/22. To date £98k has been drawn down with an additional draw down of £260k anticipated before the end of the year. The remaining balance of £180k will result in some savings. Once these unrequired budgets are confirmed the funding will be added to the corporate underspend (2.9) The review of the corporate complaints process is nearing completion and the decision has been made to appoint a Complaints Manager to manage the process. This will lead to significant service improvements. The post will be funded through resource switching and is subject to approval through the budget 2022/23 process. It is, therefore, unlikely that the £51k earmarked for a part time resource will be required. The additional Environmental Health officer time, temporary toilets at Littlehampton and Bognor Regis and the Emergency Out of Hours are funded from COMF grant, which has to be spent by 31 March 2022.
- 7.4 The contingency budget for 2021/22 includes £538k for Covid Support. Although it is difficult to forecast the effect over the second half of the year (especially through the winter months), corporate income levels have held up but there are budget pressures in relation to Homelessness and Leisure Management (2.8.3 and 2.8.6). It is therefore unlikely that the full amount of the contingency will be required.

## 8. Housing Revenue Account (HRA)

- 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 2021 is shown in the table below:

<b>Housing Revenue Account Reserve Movement estimated outturn 2021/22</b>	<b>Original Budget £'000</b>	<b>Current Budget £'000</b>
<b>HRA Balance 01 April 2021</b>	<b>8,081</b>	<b>8,835</b>
Budgeted deficit for 2021/22	(1,967)	(1,967)
Capital Slippage from previous year (paragraph 8.3)		(1,363)
Current Budget Variation (paragraph 8.2)		(637)
<b>HRA Balance 31 March 2022</b>	<b>6,114</b>	<b>4,868</b>

The HRA balance 1 April 2021 in the Current Budget column is as per the 2020/21 Final Accounts.

8.2 Below is a summary table highlighting major controllable expenditure and income to end of September 2021.

	Full year Budgets  (Orig) 2021/22 £'000	Full year Budgets  (Current) 2021/22 £'000	Year to date Profile Budget 2021/22 £'000	Year to date Actuals 2021/22 £'000	Year to date Variance 2021/22 £'000
<b>Expenditure</b>					
Repairs & Maintenance	3,887	3,887	1,944	2,507	564
Supervision & Management	5,234	5,263	1,706	1,707	1
Rents, Rates, Taxes and other charges	166	166	86	132	46
<b>Total Expenditure</b>	<b>9,286</b>	<b>9,315</b>	<b>3,736</b>	<b>4,346</b>	<b>610</b>
<b>Income</b>					
Dwelling rents	(16,004)	(16,004)	(8,005)	(8,011)	(6)
Non-dwelling rents	(517)	(517)	(256)	(221)	35
Charges for services and facilities	(632)	(632)	(257)	(254)	3
Other Income	0	0	0	(6)	(6)
<b>Total Income</b>	<b>(17,153)</b>	<b>(17,153)</b>	<b>(8,518)</b>	<b>(8,491)</b>	<b>27</b>
Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	<b>(7,867)</b>	<b>(7,838)</b>	<b>(4,781)</b>	<b>(4,145)</b>	<b>637</b>
Interest Payable and Similar Charges	1,418	1,418	709	709	0
HRA Interest and Investment Income	10	10	0	0	
Revenue Contribution to Capital	130	464	334	334	0
Yearend accounting adjustments	8,275	9,275	0	(0)	(0)
<b>(Surplus) or Deficit for Year on HRA Service:</b>	<b>1,966</b>	<b>3,329</b>	<b>(3,738)</b>	<b>(3,102)</b>	<b>637</b>

8.3 The Capital slippage of £1.363m from 2020/21 relates to £363k for a Housing IT system and £1m in the Housing improvement programme. This is as a result of delayed or deferred works due to the pandemic (kitchen, bathroom repairs). There is also pressure to increase the rate at which works are completed that are required by the Housing Regulator, for example fire compliance. The carry forward of funding allowed these issues to be addressed.

8.4 Repairs and maintenance (planned and responsive) expenditure has a current over commitment of £564k against profiled budget. This is being highlighted as a risk. The Service Manager is working closely with the contractor, to ensure appropriate spend and the timely submission of commitments. The situation will continue to be monitored closely between now and the end of the financial year. This is a demand led contract and national supply chain issues and inflation are continuing to increase costs. It is anticipated that there will be an overspend at the year end if this trend continues.

8.5 HRA income consists almost entirely of rents. Current projections forecast rental income in line with the budget forecast.

8.6 Loss of income due to Right to Buy (RTB) disposals and void dwellings remain a key financial risk. The estimated number of RTB disposals for 2021/22 was set at 12 (there were 4 RTB disposals in 2020/21 and 4 disposals in 2019/20). To date there has been 7 disposals in the current year.

8.7 Details of the HRA capital, improvements and repairs programmes are shown in Paragraphs 9 and 10.

## 9. Capital Receipts

9.1 There have been major changes since the 2012 retention agreement from 1 April 2021. These changes are listed below:

- Pooling of RTB receipts will take place annually. This replaces the former quarterly system deadlines for spending retained receipts and will also be calculated on an annual basis.
- The timeframe local authorities must spend new and existing Right to Buy receipts has been extended from 3 years to 5 years.
- The percentage cost of a new dwelling that local authorities can fund using Right to Buy receipts changed from 30% to 40%. (i.e. Arun will now only have to fund 60% rather than 70%). Every £40 of 1-4-1 receipts generated by the sale of right to buys would need to be matched with £60 of Council funding ( £30/£70 previously).
- A cap will be introduced on the use of Right to Buy receipts for acquisitions to help drive new supply with effect from 1 April 2022 and phased in over 2022-23 to 2024-25. Its aim is to increase dwelling supply in the District by limiting property acquisitions.

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

	<b>£'000</b>
"1 for 1" receipts accrued to 31 Mar 2021	5,597
"1 for 1" receipts accrued from 1 April 2021*	314
Arun's 70% contribution (70/30 X £4,906k)	11,447
Arun's 60% contribution (60/40 X £1,004k) change from 1 April 2021*	<u>1,507</u>
Total investment requirement	18,865
Less amount already invested to 30 September 2021	-19,032
<b>Remaining investment requirement</b>	<u><b>0</b></u>
By 31/03/2027	0
<b>Total</b>	<u><b>0</b></u>

\* estimated

9.2 All 1-4-1 receipts carried forward on 1 April 2021 and estimated 1-4-1 receipts 2021/22 up to the end of September 2021 have been committed.

9.3 One of the key priorities of Arun's HRA Business Plan is a development programme to enable the delivery of an additional 250 new Council dwellings over a ten-year period.

- 9.4 In order to protect the Council's investment in the provision of new social housing, exemption from capital receipt pooling has been obtained in respect of all Arun's new dwellings in the current investment programme. This will enable Arun to retain 100% of the receipts from any future right to buy disposals in respect of these new dwellings (although it is worth noting that these receipts will be net of any discount entitlement).

## **10. Capital, Asset Management and Other Project Programmes**

- 10.1 The Council's budget for 2021/22 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.

### **General Fund**

- 10.3 The Council is introducing Microsoft Azure. Azure is Microsoft's public cloud computing platform, which will provide a range of cloud services to the Council to reduce reliance on its physical data centre at the Civic Centre. Therefore, the Computer Services budget has been reduced by £167.5k to allow budget provision for Azure in the ICT ongoing revenue budget from 2022/23. £28k has been retained in the budget for any costs incurred this year. The Corporate Support Committee were updated on progress on this at the meeting of 28 September 2021.
- 10.4 Approximately, £316k of the current budget will be funding projects in 2022/23, including core switch, further digital strategy and telephony system (in part). Some projects have been delayed this year because of the potential impact homeworking has had on the Council's IT requirements.
- 10.5 The Arun Improvement Programme budget has been reduced by £61k, this was the balance from the environmental health system implementation and was being retained until such time it was required in the Environmental Health revenue budget for software maintenance. This has been included in the revenue budget for 2022/23.
- 10.6 The contractor has now been formally appointed for Littlehampton Public Realm project and final detailed design is being completed. Works are due to commence January 2022 completing December 2022. Following agreement from the funder; the Coastal Communities Fund, Phase 2 & 3 of the scheme will be progressed as part of this stage. Due to significant cost increases in materials and delivery delays, orders for paving and other concrete reliant materials have already been placed by the contractor to avoid unnecessary delays once work commences. Phase 1 detailed design has also been undertaken and negotiations are ongoing with Network Rail to ensure the proposed changes at the station can be implemented in a timely manner. This phase is funded from LEP Local Growth Fund, Arun District Council and Littlehampton Town Council and is expected to be delivered immediately after phases 2 & 3.

- 10.7 The contract has been awarded for the works at Place St. Maur. The contractor is due on site from mid-October 2021 and works are due to be completed by March 2022. This scheme is funded by a grant of £1.2m from the Getting Building Fund and Arun District Council.

**Asset management and other projects monitoring - September 2021**

	<b>Original Budget £'000</b>	<b>Current Budget £'000</b>	<b>Actual to date £'000</b>
<b>General Fund</b>			
<i>Corporate Support</i>			
Computer Services	120	412	68
GDPR	-	29	11
Storage Area Network (SAN)	-	170	162
Wireless Infrastructure	-	50	-
Digital Strategy	-	200	-
Arun Improvement Programme (AIP)	-	96	-
Web/Integration	-	91	39
E5 upgrade	-	32	22
<i>Economy</i>			
L'ton Public Realm Phases 1-2	-	2,230	123
L'ton Public Realm Phase 3	-	887	112
Asset Management	791	2,098	246
Works to Public Conveniences	150	431	10
Cemetery Buildings & Walls	-	248	9
Fitzleet Car Park	266	340	-
Bognor Regis Bandstand	165	352	2
Reactive Maintenance	210	210	61
<i>Environment and Neighbourhood Services</i>			
Disabled Facilities Grants	1,400	1,400	685
Parks Chipper	26	26	-
Keystone Centre	-	250	-
Sunken Gardens	-	500	-
Place St. Maur	-	1,776	101
Play Areas	100	170	-
Canada Road Play Area	-	4	-
Canada Road Skate Park	-	83	75
Goldcrest Play Area	-	17	18
Rose Green Play Area	-	10	11
<i>Residential and Wellbeing Services</i>			
Littlehampton Wave	-	113	12
<b>Total General Fund</b>	<b>3,228</b>	<b>12,225</b>	<b>1,767</b>

## Housing Revenue Account

- 10.8 In September 2021 the land, golden brick and first interim payment was made relating to the construction of the first 10 affordable housing units at Cinders Nursery, Yapton with the next instalment expected around January 2022. There will be an additional 5 units at a later stage of the development estimated to start commencement around December 2021.

<b>Housing Revenue Account</b>	<b>Original Budget £'000</b>	<b>Current Budget £'000</b>	<b>Actual to date £'000</b>
<i>Residential and Wellbeing Services</i>			
Stock Development	100	6,577	14
Summer Lane, Pagham	-	3,444	850
Cinders Nursery, Yapton	-	2,500	1,160
Chichester Road, Bognor Regis	-	1,199	189
Canada Rd & Ellis Close	-	1,217	7
38 Arundel Road Conversion	-	195	164
Housing IT	-	-	-
Civica Implementation	-	363	58
Housing Improvements	688	738	94
Domestic Boiler Installations	525	525	229
Commercial Boiler Rooms	100	250	224
Reroofing Programme	250	250	61
Kitchen & Bathroom Replacement Programme	769	519	127
Fire Compliance	300	750	696
Windows & Doors	1,650	2,050	793
Aids & Adaptations	350	550	387
Housing Repairs	1,887	1,887	1,504
Day to Day General Repairs	1,250	1,250	1,040
Voids	750	750	667
<b>Total Housing Revenue Account</b>	<b>8,619</b>	<b>25,014</b>	<b>8,264</b>
<b>Total Programme</b>	<b>11,847</b>	<b>37,239</b>	<b>10,031</b>
Please note Housing Improvements, Adaptations & Repairs expenditure includes QL commitments taken from the Housing Mgmt. System			
Total programme comprises Capital, Asset Management and other projects budget plus Housing Repairs. Although Housing Repairs forms part of the HRA revenue budget it is included here because of the close link with the Housing Improvements Programme.			

- 10.9 The anticipated cost of the replacement Integrated Housing Management System has increased. The additional costs will be grant funded, or included in the budget for 2022/23. An update report will be provided to the Housing and Wellbeing Committee on 24 January 2022.

## 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 £8.856m on deposit for s106 agreements, plus £3.625m is held on behalf of other organisations (e.g. NHS and WSCC). The total held on deposit is £12.481m.

Section 106 sums held on deposit as at 30 September 2021							
	Community		Play Grounds £'000	Open Spaces £'000	Arun Total £'000	Non Arun £'000	Total £'000
	Affordable Housing £'000	Facilities and other £'000					
20/21 Balance b/fwd	3,628	4,912	576	122	9,238	3,268	12,506
21/22 Movement	(595)	40	140	33	(382)	357	(25)
	<b>3,033</b>	<b>4,952</b>	<b>716</b>	<b>155</b>	<b>8,856</b>	<b>3,625</b>	<b>12,481</b>

- 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 £53k of receipts that are required to be spent within the next 5 years.
- 11.4 Since the introduction of the Community Infrastructure Levy in 2020-21, demand notices have been issued totalling £483k. This figure includes 5% administration contribution for Arun in the sum of £15k for 2020-21 and £9k for 2021-22 to date.

## 12. Cash Flow and Treasury Management

- 12.1 As at September 2021 it is estimated that by year end the budgeted investment returns will exceed original budget by approximately £100k. This is largely due to higher than expected returns on the CCLA Property Fund (£5m invested) and the CCLA diversified fund (£2m invested). During budget setting, it was assumed that the average principal sums would be around £52m, this is now around £74m resulting in additional interest income. This is due to the following reasons:
- Budget was based around the Medium-Term Financial Strategy 2020/21;
  - Unused Covid-19 grant funding has not been repaid to government;
  - House building programme is delayed; and
  - General Fund capital/asset management slippage.

## **13. Risk Analysis**

- 13.1 Corporate and Operational risk registers are reviewed and updated for financial implications as part of the Council's risk management process on the criteria of probability of occurrence and materiality of impact upon balances. The most significant risk, which has been highlighted throughout the report is the additional service expenditure combined with 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 As a result of courts being closed during the Covid-19 outbreak, implementation of Universal Credits and inability to secure debts with DWP it is proving more difficult to recover Housing Benefit overpayments. This is likely to continue until backlogs are reduced.
- 13.4 Due to the United Kingdom leaving the EU on 31 January 2021, the Covid-19 pandemic and extensive forest fires throughout North America and Europe, certain commodities and labour are in short supply. This is likely to have an ongoing impact on the Council's capital programmes and housing repairs budget.
- 13.5 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 0.10%) plus 4%.
- 13.6 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 £57k for previous years' audit services.

## **14. Conclusions and Recommendations**

- 14.1 The budget monitoring to 30 September 2021 indicates that for 2021/22 the Council will:
- Significantly underspend compared to the General Fund Revenue budget;
  - Significantly overspend to the Housing Revenue Account budget, should the current spending profile on repairs and maintenance continue;
  - 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.
- 14.2 It is recommended that the Policy and Finance Committee approve that:
- Any specific project related General Fund revenue underspend continues to be transferred to earmarked reserves as per previous policy to allow projects to be completed;

- The Housing Revenue Account repairs and maintenance (Planned and Responsive) budget be closely monitored to ensure that any necessary corrective action is taken if required; and
- The Capital, Asset Management and Projects programme be reviewed to determine future projections and deliverability of current projects.