

Commentary on main budget risks

Investment Income

To date a total of £911,000 has been earned from the in-house investments and externally managed pooled funds. A further £351,000 of dividends from the externally managed pooled funds have been declared, with payment due to us within the next two months. The budget of £1.25m will therefore be met and is likely to be exceeded. However, with continued economic uncertainty due to the COVID-19 pandemic and money market rates at an all-time low of between 0% and 0.10% the return in the second half of the year is likely to be considerably lower than the first half and therefore it is too early to predict by how much the budget will be exceeded.

Staffing Savings

The vacancy savings factor has been set at £250,000 for the year and as at the end of September £276,000 has been achieved.

Inflation allowance on contracts

Each year a global sum is set aside within the budget for inflation increases and for 2020/21 this is set at £140,000. Throughout the year, as and when annual increases in contracts/annual payments are determined, virements are actioned to the appropriate budget headings from the set aside sum. To date £37,000 has been applied

Additional Grants

There have been a number of unbudgeted grants received this financial year largely in connection with COVID-19:

COVID-19 General Support: Two grants have been received: £1,125,220 and £202,847
COVID-19 Discretionary Grants, £470,500 to date
COVID-19 Business Rates £130,000 new burden support.
COVID-19 Basic Supplies Assistance. This is a grant from KCC for £51,507 and must be spent on specific assistance to those requiring assistance with food and basic supplies.
COVID-19 Test and Trace Support, £104,011, incorporating three elements: standard scheme, discretionary scheme and administration.
COVID-19 Surge Enforcement Activity, £57,700. Support for a range of additional compliance and enforcement activity to support public health measures.

The following unbudgeted grants for non COVID-19 related matters have been received:

Individual Electoral Reform - £9,235
Rough Sleeping Initiative - £61,651

COVID-19 Additional Expenditure and Possible Further Relief

As at the end of September, COVID-19 general fund expenditure totalled £766,630, of this £415,680 relates to supplier support. This expenditure will be funded from the grants received.

Additionally the government has introduced a comprehensive new funding package for councils to help address coronavirus pressures and cover lost income during the pandemic. Where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover them for 75p in every pound lost. Claims must be offset by any savings achieved through reduced expenditure. The first claim for the period April to July has already been submitted and the net amount claimed is £293,000.

Eltham Crematorium

It is possible that the income budget of £165,190 for Eltham Crematorium may not be achieved. The last two years income from the crematorium did not meet their budgets, 2018/19 - £167,213 and 2019/20 - £124,017. Previously income had exceeded £200,000. The budget for 2020/21 was reduced to be close to the 2018/19 outturn. However, the 2019/20 outturn provided another significant decrease. The Council's income from the crematorium is based on a fixed percentage share of net income. Recently the numbers of cremations at the site have been falling whilst maintenance and utility costs have been high.

Corporate Land and Properties Income

The Corporate Land and Properties current income budget for rents and service charges for 2020/21 is £953,150. Deferrals have been offered to six leaseholders and there is some latency of payment on other leases. If this continues and deferrals result in non-payment, the resulting loss of income is estimated at around £250,000.

Benefits

During this year, the number of cases changing to universal credit are expected to rise. Therefore, expenditure is likely to be lower than previous levels.

In the past, the combination of the subsidy arrangements and overpayment recovery have often led to a net income position. This is still reflected in current monitoring but it is likely that the total net income received will be lower with a surplus of around £150,000.

The overall figures will also be affected by the subsidy claim audit, which has been delayed until the autumn, as adjustments could be necessary as a result.

Superannuation

The net current budget for superannuation stands at £1,326,750. The pension back pay element of the budget that is paid to Kent County Council is overstated and will produce an underspend of £123,730.

Land Charges Income

Last year's outturn was impacted by adjustments that were necessary regarding the treatment of VAT and how the land charges system dealt with it. The total adjustment was for £29,950, and of this £24,300 related to previous financial years. This gave an outturn of £49,700. Actual receipts for 2019/20 totalled £73,998.

The budget for 2020/21 is £80,000. The actual to the end of September is £47,438, which is £7,438 above its target. Following lockdown, which had a significant effect on the property market, essentially reducing the requests for searches to re-mortgage applications, and the subsequent lifting of restrictions, the Council has seen a recovery in its income for land charges.

The numbers and types of searches at this stage of the year have varied compared to 2019/20. In the first half of 2019/20, 316 full searches were undertaken compared to 256 this financial year while the number of personal searches for 2019/20 for the same period was 1,122 against 836 this year. Although activity numbers are lower this financial year, the revised fees and charges, effective from 1 April has increased actual income.

The position to the end of September is shown in the following table:

2019/20		2020/21
	Current Budget	£80,000
	Profile to Month 6	£40,000
£40,358	Actual to Period 6	£47,438
£49,700	Outturn	

Special Events

The net budget for special events is £139,150 and comprises of two elements, the festival, £134,650 and the Summer Sizzlers campaign, £4,500. Both have been cancelled for the current financial year, however, a proportion of the festival's costs are paid in advance as part of the arrangements for pre-booking and cannot be recovered. These costs amount to £72,000 and additionally a further £10,000 has been payable for artiste cancellation fees. There will be an underspend of £57,000 this financial year.

Princes Park Mini Pitches

The Council pays Dartford Football Club a fee to maintain the mini football pitches and operate the administration of bookings. A 50:50 net profit share is in operation taking account of income from bookings, running costs and an income based contribution to a reserve for pitch surface replacement. This usually provides the Council with a modest £5,000 estimated income.

No income was taken for the first quarter as the facility was closed resulting in a loss of estimated income of £9,000. The mini pitches reopened 4 July under F.A. guidelines with the second quarter's income almost matching income for the same quarter last year. Income for the remainder of the year will be dependent upon public health/F.A guidance during the next few months. If no further restrictions need to be enforced, outturn should still give a small but reduced net income.

Fairfield Leisure Centre

The Council's contract with the external service provider generates an annual income of £581,920. The centre was closed for the first four months of the financial year, reopening 3 August for gym and studio classes with lane swimming commencing 10 August and swimming lessons 7 September. Other activities are restarting when appropriate. With the initial centre closure and the impact of the required social distancing measures since re-opening, it is anticipated that there will be no income this financial year. Additionally, the last monthly payment for March 2020 has been cancelled, increasing the loss of income by a further £43,900.

The provider has also made claims for additional costs for both the closure and reopening periods and to date significant support has been necessary to enable the provider to fund the costs of maintaining and opening the centre with significantly decreased income owing to closure and social distancing measures. Regular meetings are held with the service provider to monitor these additional costs which are being funded from the COVID-19 grant received earlier in the year.

The Orchard

The annual payment to the Orchard was budgeted at £350,500 to include a reduction for the start of a repayment of a new loan for capital works at the theatre. However, it has been agreed to defer the start of the loan repayment until next year which will give an overspend of £45,800 against budget. The income budget for the Council's profit share is £45,000, and this should be forthcoming as this is paid in arrears and relates to the previous financial year. Consideration will need to be given to the 2021/22 budget as profit share will relate to 2020/21 and the theatre will have been closed for the majority of this period. In addition basic supplier support payments have been agreed to enable a skeleton staff to keep the building safe and secure. At this stage, it is not known when the theatre will be able to re-open.

Central Park Café

Due to the current situation, the café was closed for the first quarter of 2020/21, and with restrictions, reopened 4 July. April to September are the busiest months for the café and with the loss of this income to the tenant, the Council's budgeted income of £13,000 for the tenancy will not be forthcoming this year.

Enforcement Fine Income

Environmental Enforcement resumed normal service week commencing 29 June and although the first quarter's income was COVID-19 impacted, it is anticipated that the £12,000 fine income budget is still likely to be met. The previous two financial years' budgets were exceeded; 2018/19 outturned at £26,000 and 2019/20 outturned at £18,000. Income as at the end of September stands at just over £5,000. There are a number of cases waiting for court action, however these cannot be progressed as currently the courts are closed. It is expected that courts will reopen early November.

The externally provided litter enforcement service was suspended in April, recommencing 3 August with a full enforcement of litter and trade waste regulations. The fine income budget is £135,000 and although only £18,000 has been received during the first half year,

the payment to the contractor, which is based on the fines paid, will also be significantly lower. Of the income received to date £10,000 was received in September. The Single Justice Procedure service recommenced 21 October and it is now set to continue with 35 cases each month. The court costs income budget of £8,000 has been exceeded as £11,100 of income is due. These costs relate to prior year cases. Overall, the litter enforcement service has a net income budget of £20,000 and this could still be achieved.

Revenues and Business Rates Court Cost Income

Income from court costs is likely to be impacted this financial year. The budget for the two areas is £459,000 and last year's outturn was £487,000. Currently all courts have been suspended and therefore no action has been possible this year so far. It was expected that courts would be operational September/October but as of early October, the Council is still waiting for confirmation of dates. With the resulting reduction in the number of courts and court time, the Council could be allocated, there is likely to be a limit on the number of cases that can be progressed, reducing income revenue this year.

Waste and Parks Management

Currently, the parks service is operating within budget.

The budget for the clearance of illegal dumping is £37,250 and as at the end of September £13,000 has been spent, assuming current levels of spend for the remainder of the year, actual costs will be within budget, however this is a difficult area to predict.

The take up on garden waste collection has significantly increased this year and will change the net income budgeted position of £5,000 to approximately £50,000. Pending service cancellations, a more precise projection will be provided as part of the autumn projection exercise.

To enable the contractor to staff the refuse service during the COVID-19 crisis, additional costs of £65,000 have been incurred and these costs will be funded from the government grant received earlier in the financial year.

Cemeteries Income

The cemeteries income budget had previously been set at £195,000 and for the last three years this budget had not been met, achieving £181,000 in 2017/18, £187,000 in 2018/19 and £183,000 in 2019/20. Giving consideration to a continuing downward trend the budget was reduced to £175,000 for 2020/21. As at the end of September, income has exceeded both the target for this year and the income received in the same period last financial year. Early indications suggest that the budget should be achieved.

The table below shows the position to the end of September.

2019/20		2020/21
	Current Budget	£175,000
	Profile to Month 6	£87,500
£93,760	Actual to Period 6	£101,189
£182,936	Outturn	

Licensing

The number of private hire and hackney carriage licence renewals has reduced in the first six months of the year, but this is likely to be a temporary reduction resulting from drivers delaying renewals and new applications/knowledge tests. With the easing of COVID-19 restrictions and as work increases, it is hoped that the majority of drivers will apply for their licence renewals. The situation however is very fluid. Currently income at £16,000 is £10,000 less than the first six months of 2019/20.

General licensing has also been impacted. Income has been lost for this year from temporary event notices due to restrictions on events. Alcohol licensing is also affected with a reduction that is likely to be permanent as a number of premises have not reopened. The full effect will not be determined until later in the year as the majority of this income is collected in the second half of the year

The following table gives the position as at the end of September:

2019/20		2020/21
	Current Budget	£144,600
	Profile to Month 6	£46,500
£50,621	Actual to Period 6	£34,738
£133,492	Outturn	

Car Parking Income

Car parking income has been significantly impacted by lockdown. No income was taken for car parks for almost four months with charges being reinstated 20 July. It is expected that income will not reach pre lockdown levels in the short/medium term.

Parking enforcement recommenced in regulated areas on 15 June with full enforcement from 20 July. The number of fines issued in the first six months of this financial year was 2,273 compared to 6,144 for the same period last financial year. This is a reduction of 67%. Additionally, as at 31 March 2020, car parking fines totalling £233,000 were outstanding and a provision was made for this amount within the accounts. Progressing unpaid fines has been slower than usual as bailiff services were suspended during lockdown but this is now fully resumed.

Some of this lost income will be recovered via the central government scheme and details will be reported to Members at a later date.

The two tables below show the position as at September for car parking fees and charges and fines and costs.

Fees & Charges

2019/20		2020/21
	Current Budget	£379,700
	Profile to Month 6	£189,850
£210,695	Actual to Period 6	£69,275
£419,130	Outturn	

Fines & Costs

2019/20		2020/21
	Current Budget	£323,140
	Profile to Month 6	£161,570
£185,956	Actual to Period 6	£62,823
£360,691	Outturn	

Dartford Markets

Following a downward trend in market income over recent years, the income budget for 2020/21 was reduced to £178,100.

Markets were not operational during the full lockdown period giving a loss of income of £40,000 to £45,000 when comparing last year's income at the end of June and the anticipated income based on the 2020/21 budget. Minor savings of £6,000 were forthcoming during that period due to there being no requirement for cleaning of the market area at the end of the day.

The market reopened on 18 June with five traders and the Market Team have continued to slowly increase the numbers of stalls in-line with Government guidance. Rent remains suspended at this time to assist these small businesses through the crisis. The loss of income stands at £89,000 as at the end of September.

2019/20		2020/21
	Current Budget	£178,100
	Profile to Month 6	£89,050
£82,613	Actual to Period 6	£0
£150,375	Outturn	

Planning Income

Income from planning fees is higher than the profiled budget at this stage and in the first half year 59% of the budgeted income has been received. Four receipts exceed £20,000 with one at £87,000.

Income from planning performance agreements currently stands at £54,000 against a budget of £76,000 and commercial and residential development pre-application advice currently stands at £16,000 against a budget of £43,000. Combining these two incomes

with other minor income sources, the actual to date of £71,010 compares favourably with the first half year's target of £63,750

There is significant uncertainty on planning fee income over the remainder of the year. However, developer interest currently continues to be strong and expectations are now that a number of further significant applications will be submitted over the coming months.

The table below gives the position for the main planning fees as at the end of September.

2019/20		2020/21
	Current Budget	£670,810
	Profile to Month 6	£335,405
£425,014	Actual to Period 6	£394.935
£979,752	Outturn	
201	No. of Receipts to period 6	150
45	No. of Receipts > £1K	44
£329.292	Value of Receipts > £1K	£287.388

Building Control

During and following lockdown, the number of In-year receipts and value of receipts is considerably lower for the first half year compared to anticipated income for the year and last year's income for the same period. Large and small builders have returned to work and the number of applications received and requests for site inspections has recently slowly increased, however, the level of receipts is unlikely to increase significantly until the construction industry and the economy fully recover.

The following table shows the position at 30 September.

2019/20		2020/21
	Current Budget	£331,240
	Profile to Month 6	£165,620
£157,603	In Year Receipts to Period 6	£106.052
£301,791	Outturn	
373	No of Receipts to Period 6	240

Temporary Accommodation

The budget has been increased to £1,179,720 from £900,000 but it is likely that the increased budget will be overspent by the end of the year with the net financial cost likely to be over £600,000 over budget due to government policy to improve self-isolation capacity.

The Council purchased 23,674 nights in nightly paid accommodation to the end of September and 26,659 nights in leased accommodation, compared with 14,963 and 29,356

at the same point in 2019, which is an increase of 18% in total. Given the current situation it is difficult to predict when this situation will change.

Last year total net costs were £1,205,772, which was a reduction of £165k from 2018/19. For the current year, the budget was increased to £1,179,720. However, given the position to date, it seems likely that the 2020/21 net position will result in a significant overspend. An element of the above grant will be applied against the overspend.

Business Rates Income

The Council has budgeted for £5.8m of business rates income in year. The impact of COVID-19 reliefs is expected to have peculiar effects on the timing of income recognition. This is because the grant to compensate for lost income (if regulation are not changed) will be counted as income in the current year alongside the original estimated income. This will be adjusted for through reserves with a significant deficit payment due out of the fund in the next year.

Ignoring the timing issues the overall position is that in year collection has dropped. It is difficult to project the full year effect of this. The current estimate is that income collected may fall by £4.7m. These amounts may be collected later but the provision for bad debts will be increased accordingly.

The current expected effect is that retained income will be under budget by £600,000 but further monitoring and observation continues.

Additionally appeal checks and challenges relating to the 2017 list have been increasing in recent months. Due to this the amounts set aside against these appeals will also need to be considered.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) carried forward a balance of just over £13.8m from 2019/2020 (£12.3m from 2018/9 and overall is underspending to date compared to budget.

At the half year mark the significant overspends relate to COVID-19. These areas and others worth noting are discussed in more detail below.

General management is underspending by £221k. This is mainly due to underspends of £76k due to vacancies in Estate Management, Performance, Rents and Repairs, as well as pension entries being less than budget by £46K. Spend of legal fees are lower than usual due to the current situation. Some additional COVID-19 expenses have been incurred, the most significant being £16k for communal bin sanitisation.

Housing services for the elderly is underspent by £27k. There is £11k of COVID-19 expenses for sanitisation, cleaning products and signs but other budgets including salaries were underspent.

Repairs and Maintenance has the biggest underspend to date of £610k. That is made up of £247k for Planned, £185k for Responsive and £178k for Voids. This is due to the difficulties brought by the current pandemic.

Rental Income and service charges are close to budget.

Income of £68,347 has been received from the feed-in tariff for solar energy, which is £13,000 higher than the budget to date. This is an increase on this time last year by £4,000.

The HRA will be closely monitored and the Business Plan regularly updated, with Cabinet being informed of any significant variances.

Provision is required for the £5 million maturity payment on the HRA debt, due in 2022, which is in addition to the regular principal repayment of £4.4m per annum.