

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Cabinet
Finance & Audit Committee

Date: 3 June 2019 / 23 July 2019

Reporting officer: Assistant Director (Corporate Services)

Subject: Provisional Outturn Report 2018/19

Purpose and summary of report:

To present:

- The 2018/19 provisional General Fund Revenue Outturn and movements in the General Fund working balances and earmarked reserves
- The 2018/19 provisional General Fund Capital Outturn
- The 2018/19 provisional Housing Revenue Account Revenue Outturn and movements in the Housing Revenue Account working balances and earmarked reserves
- The 2018/19 provisional Housing Revenue Account Capital Outturn

To update Members on other key areas of financial performance that may impact on the Council's Medium Term Financial Strategy, Medium Term Financial Plan, HRA Business Plan or Financial Statements.

Recommendations:

1. This report is for information only.

1. INTRODUCTION

- 1.1. The Constitution of the Council requires Members to receive reports in respect of the Council's finances and financial performance. This report provides details of the provisional budget outturn for the 2018/19 financial year and complements the 2018/19 Financial Statements for the authority which will subsequently be considered by the Finance & Audit Committee.
- 1.2. During 2018/19 the Council continued to operate robust budgetary control actions to ensure good financial governance and respond to the pressures on the Council's finances. In addition to the reporting of financial performance through regular budget monitoring reports, these actions have included:
 - Requiring all financial decisions and major acquisitions to be brought to Management Team and Members as appropriate for discussion and approval;
 - Management controls in approving purchase orders;

- Requiring recruitment activity (relating to both permanent and temporary appointments, and including use of overtime) to be considered and approved by Management Team;
- Monitoring the delivery of activity under the council's *Bridging the Gap* strategy, as set out in the current Medium Term Financial Strategy (MTFS).

2. EXECUTIVE SUMMARY

General Fund (Revenue)

- 2.1. The provisional outturn position for the year was an underspend of £1,518,700. This position was generated primarily due to the proactive action taken by the Council during the year to realise base budget reductions through the delivery of *Bridging the Gap* and *Balancing the Budget* activity, as well as favourable year-end performance against some budget lines. Action to manage vacancies and other workforce matters also resulted in employee-related costs being lower than originally anticipated. This resulted in the Council not needing to call on Working Balances to balance the Council's net position in the year as originally planned.
- 2.2. The level of Working Balances at year end was £9.29m (subject to audit), constituted of the minimum working balances of £1.25m, the General Fund reserve of £4m and usable Working Balances of £4.04m. The level of Working Balances held by the Council has been boosted in the main from growth in the level of business rates retained, principally as a consequence of the Council being part of the Kent & Medway Business Rates Pilot during 2018/19 and the financially favourable outturn position.
- 2.3. Movements in the year are to result in a net increase in earmarked reserves of £3.74m (subject to audit), with the level of reserves being £7.50m at start of year and projected to be £11.24m at year-end. This increase is, in part, due to the benefit derived from the Council being part of the Kent Business Rates Pool and Kent & Medway Business Rates Pilot during 2018/19.
- 2.4. The principal risk to the General Fund's financial position continues to come from the lack of clarity regarding the future of local government funding.

General Fund (Capital)

- 2.5. The final outturn of the General Fund Capital Programme for the year was £13.35m, against budgeted expenditure of £17.72m. Capital budgets totalling £4.23m have been carried forward to 2019/2020 (beyond those approved by Full Council in February), principally relating to the redevelopment of the St Georges Shopping Centre and the council's Property Acquisition Strategy and land development plans.

HRA (Revenue)

- 2.6. At the end of the financial year, income and expenditure was balanced, with a net total positive variance of £1.11m against the original budget. This has resulted in an equal and equivalent contribution being made to the General HRA Reserve at year-end. The position was generated in the main due to a reduction in planned repairs and maintenance spend and savings against staffing budgets.
- 2.7. The level of Working Balances at the end of the year remained at £3.0m, the minimum level of Working Balances for the HRA. The significant risk to the HRA's financial position continues to be the lack of clarity regarding funding and regulatory reform.

Housing Capital

- 2.8. The final outturn of the Housing Capital Programme for the year was £11.60m, against budgeted expenditure of £14.90m. Capital budgets totalling £1.91m have been carried forward to 2019/20 (beyond those approved by Full Council in February), principally relating to the maintenance of the Council's housing stock and the provision of Disabled Facilities Grants.

3. GENERAL FUND (REVENUE)

3.1. Budget 2018/19

- 3.1.1. The approved Original Budget Requirement for 2018/19 was £12,622,790, funded by retained Non-Domestic Rates, New Homes Bonus, Council Tax and use of £1,329,640 Usable Working Balances, in accordance with the Medium Term Financial Strategy.
- 3.1.2. The provisional General Fund outturn against the Original Budget is presented in the table below. It should be noted that headings for directorates, reserves and transactions below the line have been adjusted to neutralise the effect of year-end accounting entries such as depreciation, and incorporate the correct accounting treatment for reserves and grant income. As a result, the table may not be directly comparable to previous budget monitoring reports.
- 3.1.3. The original budget requirement upon which 2018/19 council tax levels were originally set remains unchanged, and all other lines only include variances which CIPFA funding regulations permit to be levied against council tax and business ratepayers.

Directorate / Budget Heading	Original Budget 2018/19 (£)	Outturn 2018/19 (£)	Variation 2018/19 (£)
All Directorate - Salaries	10,243,130	9,762,150	(480,980)
Chief Executive	(123,650)	(125,320)	(1,670)
Communities	(457,640)	(1,348,260)	(890,620)
Corporate Services	2,677,630	2,081,230	(596,400)
Environment & Operations	1,723,030	1,359,470	(363,560)
Housing & Regeneration	43,050	(61,200)	(104,250)
Non-Directorate Specific	1,092,180	1,092,180	0
Interest and Investment Income	(676,990)	(1,073,110)	(396,120)
Government Grant Funding	(904,470)	(1,016,160)	(111,690)
Transfers to/ (from) reserves	1,514,480	3,738,910	2,224,430
Transfers to/ (from) balances	1,035,980	1,793,340	757,360
Transactions below the line	(3,543,940)	(3,633,070)	(89,130)
BUDGET REQUIREMENT	12,622,790	12,570,160	(52,630)
Business Rates Income	(3,679,110)	(5,145,180)	(1,466,070)
Council Tax Income	(6,705,200)	(6,705,200)	0
Parish Precepts	(323,120)	(323,120)	0
Passported Parish Grant	1,040	1,040	0
New Homes Bonus	(586,760)	(586,760)	0
Transfers to/(from) the Collection Fund	0	0	0
Use of Working Balances	(1,329,640)	(1,329,640)	0
BUDGET SHORTFALL/(UNDERSPEND)	0	(1,518,700)	(1,518,700)

Table 1: General Fund Revenue Outturn by Directorate / Budget heading

3.2. ALL DIRECTORATE – SALARIES

- 3.2.1 **Staffing: £481k favourable variance** – the council continued through the year to maintain a close analysis of staffing budgets through regular monitoring to Management Team and effective management of vacant posts and the staffing establishment. The budget for 2018/19 incorporated a vacancy allowance of £350k; the year-end position was an underspend of £831k, giving rise to the net favourable variance of £481k.
- 3.3. **CHIEF EXECUTIVE’S DIRECTORATE – £2k FAVOURABLE VARIANCE**
- 3.3.1. Minor variances delivered a favourable net effect of £2k across the directorate.
- 3.4. **COMMUNITIES DIRECTORATE – £891k FAVOURABLE VARIANCE**
- 3.4.1. **Acquisition of site at Stuart Road, Gravesend: £377k favourable variance** – in June 2017 Full Council gave approval for a second tranche of £10m from investment balances to be made available for purchases under the council’s existing Property Acquisition Strategy. In June 2018, the council completed the acquisition of the site at Stuart Road, Gravesend, currently tenanted by Wickes, which has provided a current year rental income stream of £377k. The projected full-year income from 2019/20 onwards is £511k.
- 3.4.2. **Industrial Estates: £63k favourable variance** – following activity to refine budgeting arrangements from annual rental income streams at Industrial Estates, net additional rental income for 2018/19 of £63k was realised compared to the original budget.
- 3.4.3. **District Shopping Centres: £31k favourable variance** – higher income received from shopping centres, combined with a general realignment of income budgets has produced a net favourable variance of £31k in 2018/19.
- 3.4.4. **Reprographics: £30k favourable variance** – this was the first full year since the centralised stock and ordering system was introduced, and this has resulted in greater than expected savings. There were also some reductions for paper/envelopes purchased across the year, combined with more competitive pricing from suppliers for the stock that was required. Additionally there were some one-off savings in departments’ support and maintenance costs realised through a reduction in the number of copiers in use. The combined effect of each factor has led to a favourable variance for 2018/19 of £30k.
- 3.4.5. **Acquisition of Units at Springhead Park: £25k favourable variance** – as part of the council’s continuing Property Acquisition Programme, the purchase of several industrial units at Springhead Park was completed in February 2019. This has yielded a positive effect on the MTFP for 2018/19 of £25k.
- 3.4.6. **Communications: £25k favourable variance** – advertising and sponsorship income were greater than budgeted for the year leading to a favourable outturn position. Digital promotions through social media continue to be popular and cost effective, reducing overall advertising expenditure whilst expanding the audiences. The net effect is a year-end favourable variance of £25k.
- 3.4.7. **HR Shared Services: £23k favourable variance** – as part of the *Bridging The Gap* activity identified within the MTFs, the council has explored various shared service opportunities in recent years. From 1 April 2018 a shared Human Resources service with Medway Council was established, producing an initial positive effect to the council’s Medium Term Financial Plan (MTFP) of £23k. Going forward, as processes are harmonised and developed further, there may be scope for additional financial benefits,

which will be reported in due course. Additionally, the shared service provides greater resilience, for example enabling utilisation of the existing recruitment and training teams within Medway's structure.

- 3.4.8. **Shared Licensing Manager: £20k favourable variance** – prior to the fully shared Licensing Service with Medway Council going live on 1 January 2019, a shared manager arrangement between Gravesend and Medway was in operation. This generated a positive effect on the MTFP of £20k for 2018/19.
- 3.4.9. **Acquisition of site at 35-36 New Road, Gravesend: £13k favourable variance** – as part of the Property Acquisition Programme, the council acquired in January 2019 the site at 35-36 New Road, Gravesend, currently tenanted by Bon Marche. This has secured income of £13k in 2018/19, with around £58k anticipated in 2019/20.
- 3.4.10. **Network House: £9k favourable variance** – there is a favourable year-end variance following additional service charge income in 2018/19 of £9k.
- 3.4.11. **Borough Market: neutral variance** – although there is no overall variation in the 2018/19 outturn, it should be noted that the income position for the market was a year-end deficit of £33k as a result of unit vacancies. There were, however, compensating underspends across staffing and running expense budgets e.g. on repairs and maintenance due to the building being relatively new. These savings have offset the income deficit, resulting in an overall balanced budget.
- 3.4.12. **Legal & Information Governance Shared Services: £18k adverse variance** – prior to General Data Protection Regulation (GDPR) 2016/679 coming into implementation on 25 May 2018, the council considered resourcing options in terms of managing the potential impact of GDPR changes. The result of this was a requirement to finance an additional post within the Legal & Information Governance shared service with Medway Council to support the council in responding to the enhanced challenges.
- 3.4.13. Additionally, as a result of in-year underspends in Legal Services largely due to staff vacancies, there is a reduction in the council's contribution to the Shared Service budget. The net effect of this underspend, and the additional GDPR cost described above, is an overall overspend for the service of £18k in 2018/19.
- 3.4.14. **St George's Shopping Centre rental income (pre-redevelopment agreement): £146k adverse variance** – the Council holds the freehold interest of the St George's Shopping Centre, though this had previously been subject to a 150-year lease to Queenridge Properties since 1982. Under the terms of the lease the council received a "basic rent" of £195k per annum and an "additional rent" of 10% of the rents that Queenridge Properties received from the occupying tenants in excess of £1.95m per annum. To date, no additional rent has ever been payable.
- 3.4.15. At Cabinet in April 2018, the council agreed to enter into an agreement with Reef Estates Group for redevelopment of the St George's Shopping Centre. Detailed financial modelling was undertaken, incorporating projected annual lease payments to Reef, returns made on the initial investment balance received by the Council, and rental income receivable from the centre. The expectation is that the inflows to the Council of rental and investment income will be equal, or more than equal, to the annual lease payments for the 50-year term of the lease.
- 3.4.16. As a result of this change, the arrangement whereby the council received a "basic rent" of £195k per annum (as referenced in paragraph 3.4.14) for the Shopping Centre has now ceased and been replaced by the new income and expenditure forecasts. Resultantly, there is part-year adverse variance in 2018/19's MTFP of £146k, with a full

year effect of £195k from 2019/20 onwards. New arrangements for the running of the Heritage Quarter were covered within the financial modelling undertaken, and therefore it is projected that over the lifetime of the project, there will be both financial and non-financial benefits to the Council of redeveloping the St George's Shopping Centre.

- 3.4.17. **St Georges' Shopping Centre (post-redevelopment agreement): £422k favourable variance** – following the redevelopment agreement as set out above, the Council has received rental income for the centre from June onwards during 2018/19. Additionally, a rent guarantee sum has been accrued from Reef as part of the redevelopment agreement, and investment income has been generated from the initial investment balance received. The net effect to the council of these income streams, less costs incurred relating to void units and non-recoverable service charges is £422k. This has been set aside at year-end in an earmarked reserve described further within section 3.10 to safeguard against lost rental income, void periods and non-recoverable service charges during the construction phase.
- 3.4.18. **Other Minor Variances: £17k favourable variance** – a number of minor variances have been reported within the Communities Directorate; the net effect of these variances is £17k.

3.5. CORPORATE SERVICES DIRECTORATE – £596k FAVOURABLE VARIANCE

- 3.5.1. **Housing Benefit overpayments: £244k favourable variance** – as the total level of housing benefit overpayment debt has reduced, a lower bad debt provision is therefore required. This revised charge, when compared to the original budget, has resulted in an underspend for the year. During the 2019/20 budget-setting process a review of all housing benefit budgets has been undertaken, designed to better project the ongoing position in respect of Housing Benefit, taking into account factors such as Universal Credit.
- 3.5.2. **Interest Payable: £108k favourable variance** – as a result of the current level of internal borrowing by the General Fund and following the agreement reached with Reef to redevelop the St George's Centre, the Council has re-evaluated its loan pool arrangements. This has determined that it would be equitable to both the General Fund and HRA to implement the move to the operation of two loan pools (one for the General Fund, one for the HRA), as included in the "*Balancing the Budget – Additional Budget Initiatives*" report presented to Cabinet on 12 November 2018, earlier than originally planned. Early adoption of a two loans pool from 2018/19 has resulted in interest charges relating to General Fund debt being £108k less than originally budgeted.
- 3.5.3. **Corporate Inflation Provision: £91k favourable variance** – the Council holds a central fund for supplies and services inflation within the Corporate Services directorate to act as a safeguard against inflationary increases to contract payments and general supplies and services costs. In 2018/19, services were able to manage inflationary increases within existing budgets, resulting in a reduced call on this compared to the original budget, giving rise to an underspend of £91k.
- 3.5.4. **Corporate Expenses: £77k favourable variance** – following activity to refine budgetary arrangements including analysis of historic items held on the balance sheet, £77k has been released back to working balances in 2018/19.
- 3.5.5. **Reduced Sundry Debt bad debt provision: £29k favourable variance** – following analysis of the year-end position for General Fund sundry debt, a reduced provision in 2018/19 is required which has led to a £29k favourable variance.

- 3.5.6. **Central Telephones: £20k favourable variance** – as a result of reviewing telephone lines no longer used, combined with reduced costs of calls to mobile phones through use of a mobile network gateway, there is an underspend of £20k in 2018/19.
- 3.5.7. **Internal Audit & Counter Fraud Shared Service: £17k favourable variance** - an underspend in the service hosted at Medway Council has arisen, largely due to staff vacancies. Although part of this saving was re-directed to upgrading the existing IT equipment to facilitate greater agile working and efficiencies, there is an overall reduction in Gravesham's contribution to Medway Council for 2018/19 of £17k.
- 3.5.8. **External Audit Fee: £9k favourable variance** – in April 2018 the Council received notification of the planned audit fee relating to the annual Statement of Accounts for 2018/19. At £41k, which represents a reduction from the 2017/18 fee and previously budgeted figure of £53k. This has resulted in a positive effect to the General Fund MTFP of £9k, with the remaining £3k reflected as a saving within HRA budgets.
- 3.5.9. **St George's Centre professional services: neutral variance** – as reported to Cabinet and Overview Scrutiny in May, the Council engaged professional services in areas such as legal, property, treasury management and taxation to advise on the termination of the Development Agreement with Queenridge Properties and the agreement between the Council and the Reef Estates Group for redevelopment of the St George's Centre. The £217k costs of these services are being met from the Growth Fund Reserve, which holds monies generated as a result of the Council being part of the Kent Business Rates Pool and is to be used to fund activity to promote economic growth.
- 3.5.10. **Other Minor Variances: £1k favourable variance** – a number of minor variances have been reported within the Corporate Services Directorate; the net effect of these variances is £1k.
- 3.6. **ENVIRONMENT & OPERATIONS DIRECTORATE – £363k FAVOURABLE VARIANCE**
- 3.6.1. **Waste Recycling Support Payment: £221k favourable variance** – the 2017/18 payment received from KCC was £153k greater than estimated, and it is expected that the payment for 2018/19 will also be higher than the original budget. The combined effect is a favourable variance in 2018/19 of £221k.
- 3.6.2. **Garden Waste Collection Service: £80k favourable variance** – the garden waste subscription service has continued to expand in 2018/19 with over 750 new customers joining during the early months of the year. This additional volume, in conjunction with a review of the existing charging structure from 1 April 2018, has led to additional net income of £80k compared to the original budget.
- 3.6.3. **Car Parking: £49k favourable variance** – due to in-year changes to resources and tariff structures, the income expected for 2018/19 was exceeded by an additional £49k.
- 3.6.4. **Refuse Collection – KCC contribution: £45k favourable variance** – KCC have reimbursed the council for the additional tipping-away costs (such as fuel and staffing) incurred due to the fire at the Pepperhill site in 2018. This income has offset staff overtime and additional fuel which was required for travelling further when the site was closed.
- 3.6.5. **Bulky Waste & Special Collections: £12k favourable variance** – there is surplus income from a combination of bulky waste and special collections compared to the original budget of £12k in 2018/19.

- 3.6.6. **Recycling credits & other income: £8k favourable variance** – due to higher volumes than originally budgeted, there is combined surplus income of £8k in 2018/19 from recycling credits received from KCC, and miscellaneous sales of scrap equipment.
- 3.6.7. **Waste & Street Cleansing fuel costs: £18k adverse variance** – the cost of fuel continued to rise during 2018/19, with the result being a year-end overspend of £18k.
- 3.6.8. **Security costs: £24k adverse variance** – the Council was required to make use of additional security services during 2018/19 due to an increase in the number of security risks and unauthorised traveller encampments within parks and car parks in the borough.
- 3.6.9. **Waste Freighter Vehicle parts: £29k adverse variance** – there have been on-going reliability issues with the refuse vehicles which has resulted in higher maintenance costs than provided for within the original budget. Rectification of defects with these vehicles has required the purchase of replacement parts which has led to an adverse variance of £29k. In the longer term, the plan to diversify the fleet of refuse vehicles in terms of make and model of vehicles used will help to minimise the risk of higher than anticipated vehicle maintenance costs.
- 3.6.10. **Other Minor Variances: £19k favourable variance** – a number of minor variances have been reported across the Environment & Operations Directorate; the net effect of these variances is £19k.

3.7. HOUSING & REGENERATION DIRECTORATE – £104k FAVOURABLE VARIANCE

- 3.7.1. **Planning Pre-application enquires & Application Fees: £56k favourable variance** – it is difficult to accurately estimate the scale of planning income that will be received over the financial year because the Council only has limited control over the applications that will be submitted. For in-year forecasting, the method most commonly used is to analyse previous years and use those trends as a basis for the current year. Minor and other applications have comparatively steady volumes each year, the difference is the number and type of majors and these are the components which have greatly affected income in 2018/19.
- 3.7.2. **Housing Services – Empty Properties: £30k favourable variance** – this budget is held to cover legal fees to enable the Council to serve various legal notices, issue Empty Dwelling Management Orders, cover Land Registry fees or consider the Compulsory Purchase of empty properties and any minor works in default. This budget was not required during 2018/19 since no enforcement action relating to empty properties that attracted legal costs took place. Therefore there is an underspend for 2018/19 of £30k.
- 3.7.3. **Southfield Shaw running expenses: £14k favourable variance** – a net underspend across various running expense budgets has led to a favourable variance in 2018/19 of £14k.
- 3.7.4. **Homelessness: Neutral overall variance: (£236k net additional expenditure financed from grant income)** – the introduction of the Homelessness Reduction Act at the start of the financial year had an upward effect on the number of households the Council has a duty to assist.
- 3.7.5. In Quarter Four of 2018/19 the Council was approached by 453 households requiring assistance to resolve their housing issues. This resulted in 105 households being housed in temporary accommodation (including legacy cases) at year-end, a slight increase on the 92 households requiring such assistance at the end of Quarter Three.

Furthermore, in discharging the Council's duties to prevent and relieve homelessness, 48 cases were prevented from becoming homeless in Quarter Four at the prevention stage, by either being able to remain in their current accommodation or by securing alternative accommodation. Similarly, 11 further cases were resolved at the relief stage, with these households moving into settled housing

- 3.7.6. At the end of Quarter 4, there were 165 open cases, of which 5 were at triage stage, 44 at the prevention stage and a further 33 at the relief stage. The increased demand for homelessness assistance has resulted in greater use of temporary accommodation than originally anticipated, with an additional £381k spent on providing temporary housing to households seeking assistance at outturn. With a limited supply of temporary accommodation within the social and private housing sectors, there has been an increase in the use of nightly paid temporary accommodation. This has moved from 11 families at the end of 2017/2018 to 38 at the end of 2018/19, and at an average cost of £38.50 to £47 per night for a typical two bedroom property.
- 3.7.7. During Quarter Three a Temporary Accommodation Reduction Strategy was introduced to reduce reliance on nightly paid accommodation. This has seen five additional units of two and three bedroom general needs housing added to the temporary accommodation stock, and seven families (who had been living in temporary accommodation for more than two years) moved into social housing by way of direct lets. During 2019/20 the aim is to secure five further units of (general needs) temporary accommodation and rehouse a further 13 families directly into social housing. The proposed demolition of the Valley Drive bedsits (which currently includes approximately 14 dwellings used for temporary accommodation) for redevelopment purposes, is expected to further increase demand for temporary accommodation during 2019/20. The release of the 5 additional units is to assist in meeting the additional demand, with officers also exploring other supply options for temporary accommodation dwellings to meet this increase.
- 3.7.8. The additional temporary accommodation expenditure of £381k is partly offset by £101k Housing Benefit income, and £44k received from households who are ineligible for Housing Benefit. The remaining balance of £236k has been met by grant funding provided by central government to meet the anticipated new burdens the change in legislation would create, thus resulting in an overall neutral reported variance for the service. Officers continue to explore options for more effective cost management going forwards.
- 3.7.9. **Other Minor Variances: £4k favourable variance** – a number of minor variances have been reported across the Housing & Regeneration directorate; the net effect of these variances is £4k.

3.8. ITEMS CARRIED FORWARD FROM 2017/18 – £146K

3.8.1. The following items from 2017/18 were approved for carry forward to 2018/19 by the Section 151 Officer and the Council's Management Team:

Summary of General Fund 2017/18 year-end carry forward requests				
Directorate	Service	Amount	Reason for underspend in 2017/18	Reason for carry-forward request into 2018/19
Communities	Town Centre Initiatives	£5,580	Budget for museum engagement, the funds were not spent in full as the project is still developing and staffing resources have been limited.	There is an on-going commitment to Museum development activity.
Communities	Central Services	£23,000	Underspend on the training budget due to less training taking place in 2017/18.	Increased expenditure is anticipated due to the Investors in People renewal taking place in 2018/19.
Communities	The Woodville	£55,000	An underspend has been achieved for Woodville in 2017/18. Part of this underspend has been allocated by the Governance Group for use in 2018/19.	£20,000 for the Woodville 50th and £35,000 for reinvestment into Woodville equipment - both contributions have been agreed and approved by the Governance Group.
Communities	The Woodville	£25,700	Part of the Woodville underspend has been set aside to fund future projects which are taking place in 2018/19.	This budget is required for carpet installation in 2018/19.
Communities	Community Engagement	£8,380	A final decision on the community engagement spend had not been agreed by the end of the year.	To pay Age UK for garden tools; DIY tools; café tables and chairs; reception desk and catering equipment. This carry forward will also fund activity equipment for various Scout & Brownie groups.
Communities	Communications	£10,000	There were savings on promotional expenditure across the year for The Woodville and there has been considerable focus on planning and organising the promotional events to celebrate the Woodville's 50th anniversary which predominantly falls in 2018/19. Therefore the number of events and promotions planned for 2018/19 related to the Woodville will naturally be higher than in previous years.	The additional events taking place will require additional promotion. The Woodville will also be the main stage sponsor with the Riverside festival which will require additional marketing activity.
Communities	Community Events	£2,500	The expenditure for some events has come in under budget in 2017/18.	Contribution towards Spitfire flyby event as part of the RAF100 anniversary celebrations
Communities	Public Conveniences	£1,500	Savings were achieved in 2017/18 as a result of the closure of a number of public conveniences. The budgets in 2018/19 have been adjusted to reflect the reduced cost.	A one-off Deed of Surrender payment is required to be made to Meopham Parish Council for ending the lease for the public conveniences earlier than contracted.
Corporate Services	Audit & Performance	£700	The corporate change training budget has been earmarked for expenditure which is likely to take place in 2018/19.	It is anticipated that during the 2018/19 financial year, additional training will be undertaken by the team and therefore this budget will assist in covering these costs moving forward.
Environment & Operations	Parking Services	£2,920	This budget has been earmarked for expenditure which does not take place until 2018/19.	The Controlled Parking Zone review is likely to mean that the signs and lines on the majority of roads within the Town Centre controlled parking zone will need changing in 2018/19.
Environment & Operations	Horticulture Parks, Open Spaces	£3,990	An order has been placed for the felling of a mature oak tree that is in a dangerous condition in Gordon Gardens.	This needs to be carried forward as the amount equates to nearly 30% of the 2018/19 budget for tree works.
Environment & Operations	Cemeteries & Burial Admin	£6,290	Supply of 22 waste bins for Northfleet and Gravesend Cemeteries. The supplier was unable to get them all delivered before the end of March.	This needs to be carried forward as the amount equates to a large percentage of the 2018/19 budget.
Housing & Regeneration	Private Housing	£620	A order was placed for promotional products before the end of the financial year but the goods and invoice are yet to be received.	Insufficient budget available in 2018/19 to meet these additional costs.
Housing & Regeneration	Private Housing	£180	Underspend from 2017/18 activities to be used to finance 2018/19 initiatives.	Members contributions made to fund Black History Month displays - carried forward to fund 2019 display.
Total carry forward requests		£146,360		

Table 2: Items Carried Forward from 2017/18

3.9. INTEREST AND INVESTMENT INCOME – £396k FAVOURABLE VARIANCE

- 3.9.1 The originally budgeted return for interest and investment income for 2018/19 was £627k.
- 3.9.2 The Council has invested £10m in three Externally Managed Property Funds and a further £10m in three Multi-Asset Funds. Dividends returns received for 2018/19 in relation to these investments have exceeded budgetary expectations. The balance of the Council's investments is held in fixed-term deposits, certificates of deposit and money market funds; again, the returns on these investments have performed above budget.
- 3.9.3 On 2 August 2018 the Bank of England announced an increase in the base rate from 0.50% to 0.75%, the highest level since March 2009. The net impact of this increase combined with the returns for Property Funds, Multi-Asset Funds and traditional investments described above, is additional income of £310k for 2018/19.
- 3.9.4 As part of the agreement for redevelopment of the St George's Centre (as set out within the Communities Directorate), a sum of £14.2m was received by the Council to finance the capital works required. Under the terms of the agreement, the Council is able to invest and earn interest on this sum until it is fully expended, and the project completed. Investments have therefore been made in money market funds and certificates of deposit, which have generated an MTFP benefit of £86k income for 2018/19.

3.10 FUNDING STREAMS – £1,314k ADDITIONAL TRANSFERS

- 3.10.1 **Government Grant Funding – Section 31 grants: £112k favourable variance** – The outturn for Section 31 grants received to compensate the Council for various business rate reliefs granted has provided a net benefit to the MTFP in 2018/19 of £112k.
- 3.10.2 **Transfers to/(from) reserves: £2,224k net additional transfer to reserves** – this section comprises of the following items:
- NNDR Equalisation Reserve – in lieu of the Council's anticipated payment to the Collection Fund required in 2019/20 (funded from this reserve), the opportunity is being taken in 2018/19 to top-up this reserve in advance by a further £136k compared to the original budget, thus ensuring that from 2019/20 onwards a level of £500k is maintained
 - NNDR Growth Fund Reserve – membership of the Kent Business Rates Pool has generated £281k that has been transferred into the NNDR Growth Fund Reserve. This represents an additional £52k from what was previously anticipated, and is attributable to greater growth in Business Rates across Kent as a whole
 - Housing and Commercial Growth Fund – membership of the Kent & Medway Business Rates Pilot scheme during 2018/19 has provided a distribution from the Housing and Commercial Growth Fund of £700k. This has been transferred to an earmarked reserve pending future expenditure.
 - Commercial Income Protection Reserve – as the Council now has greater exposure to rental income streams, particularly since the commencement of the Property Acquisition Strategy designed at purchasing sites to generate a net income stream, it is felt prudent to set money aside to negate lost rental from void periods and provide for repair works required, service charges etc. Consequently a contribution of £414k has been made to the reserve in 2018/19,

with the reserve level for all years now reflecting 15% of the overall rental income projected for each year

- St George's Income Protection Reserve – following on from the favourable variance relating to the St George's Shopping Centre described within the Communities Directorate section, an equivalent sum of £422k has been transferred to this earmarked reserve. This will ensure that monies are set aside to negate lost rental income, void periods and non-recoverable service charges, particularly during the early phase of the project with construction and re-enlivening works taking place. The full surplus generated of £422k has been transferred to the reserve, therefore resulting in no net overall variation to the Council
- Following analysis of the overall year-end outturn position, the opportunity has been taken to further assess earmarked reserve balances. Consequently, £200k has been transferred to the Corporate Priorities Reserve to support initiatives arising from the new Corporate Plan and £100k transferred to the IT Infrastructure Reserve to finance required telephony upgrades and Microsoft Office cloud based work. Additionally £50k has been added to each of the Planning Policy and Playground Reserves, and £100k to the Woodville Repairs Reserve to finance repair and maintenance related-works.

3.10.3 Transfers to/(from) balances: £757k additional transfer to balances – this section comprises of the following items:

- Kent Business Rates Pilot – an additional £680k as set out in the Business Rates section below has been transferred directly to working balances
- Budgetary refinement arrangements – as set out within the Corporate Services section £77k has been released to balances.

3.10.4 Transactions below the line – Minimum Revenue Provision: £89k favourable variance – the Council is required to pay off an element of the accumulated General Fund capital expenditure each year through a revenue charge known as Minimum Revenue Provision (MRP). The budget for the 2018/19 MRP charge was set based on the assumption that internal cash balances of £5m would be utilised for Commercial Property Acquisition in 2017/18. However, in 2017/18 capital expenditure, which required funding by utilising cash balances, totalled £2.1m, therefore this has reduced the MRP charge in 2018/19 by £89k.

3.10.5 Business Rates Income: £1,466k favourable variance – the council was part of the Kent & Medway Business Rates Pilot scheme for 2018/19, whereby the 50% of any business rate growth previously paid over to Central Government would instead be retained within Kent. In setting the budget for 2018/19, the Council anticipated receiving £250k from the Financial Sustainability Fund established through the pilot, with this amount being transferred straight to working balances as a means of providing sustainability of the council's financial position. Following analysis of the provisional outturn for business rates across Kent, the result is a healthy position with further £680k benefit to the council from the Financial Sustainability Fund. This is also being applied directly to working balances (and therefore has a neutral effect on the MTFP "bottom-line"), the effect of which can be found in the table in section 3.11.

3.10.6 In addition to the Financial Sustainability Fund described above, membership of the Kent & Medway Business Rates Pilot scheme for 2018/19 has provided a further benefit of £700k from the Housing and Commercial Growth Fund. This was established to

provide resources to support future delivery, where outcomes can be better achieved by working across wider administrative areas. Distribution of the Fund is overseen by three clusters of North Kent, West Kent and East Kent based on each cluster's collective Business Rates Baselines. For the North Kent cluster (incorporating Gravesham, Dartford, Maidstone Swale and Medway), the distribution from the Fund is expected to be £5.89m in 2018-19, of which the share due to Gravesham is £700k. This amount will be held in an earmarked reserve pending future expenditure, and therefore has a neutral effect on the MTFP overall for 2018/19.

- 3.10.7 As part of the provisional finance settlement, the Government announced a one-off distribution from the NNDR levy account surplus, which for Gravesham was £45k. Additionally, adjustments to the tariff baseline mechanism were made in 2018/19, resulting in a further net receipt of £41k.
- 3.10.8 Therefore the total variation for this section comprises of the £680k benefit from the Kent Business Rates Pilot, £700k from the Housing and Commercial Growth Fund and a net combination of £86k from the levy account and tariff baseline distributions – an overall favourable variance in 2018/19 of £1,466k.

3.11 Working Balances and Reserves

- 3.11.1 The variances and Carried Forward items outlined in this report have the following effect upon the General Fund working balances:

Working Balances	£
Balance Brought Forward from 2017/18	7,305,450
New Homes Bonus (Straight to working balances)	586,760
NNDR Income - Kent Pilot & Pool (Straight to working balances)	449,220
NNDR Income - Additional growth in Kent Pilot	680,000
Budgetary refinement activity	77,360
Budgeted use of Working Balances to support the General Fund	(1,329,640)
Variances per budget report (Incl.items Bfwd from 2017/18)	1,518,700
Working Balances C/Fwd (as at 31 March 2019) including Minimum GF Working Balance	9,287,850
Less: Minimum GF balance	(1,250,000)
Less: Additional General Fund Reserve	(4,000,000)
Usable Working Balances C/Fwd (as at 31 March 2019)	4,037,850

Table 3: Effect on General Fund Balances

3.11.2 The general working balance is supplemented by specific reserves, established to assist with future funding obligations or initiatives. The table below provides a summary of the forecast movements on these specific reserves during the year.

General Fund Earmarked Reserves	Opening Balance 01/04/2018 £'000	Actual Use of Reserve (Expenditure) £'000	Actual Contributions (Income) £'000	Closing Balance 31/03/2019 £'000
Planning Policy Reserve	393	(73)	100	420
Asset Enhancement Reserve	904	(55)	528	1,377
Spend to Save Reserve (Incl.Digital Team)	148		9	157
Leisure Centres Reserve	1,007	(56)	375	1,326
Corporate Priorities Reserve	140	(30)	200	310
Town Pier Pontoon Reserve	91	(5)	13	99
Local Authority Mortgage Scheme (LAMS) Reserve	100	(50)		50
Elections Reserve	149		23	172
NNDR Collection Fund Equalisation Reserve	500		166	666
IT Infrastructure Reserve	85		220	305
DSO Vehicle Capital Reserve	31	(52)	435	414
Freighter Replacement Reserve	559		221	780
NNDR Growth Fund Reserve	447	(250)	281	478
Lower Thames Crossing Reserve	150			150
Woodville Repairs Reserve	57	(44)	157	170
Investment Interest Equalisation Reserve	500			500
Housing & Commercial Growth Fund	--		700	700
St George's Income Protection Reserve	--		422	422
Commercial Income Protection Reserve	100	(89)	413	424
Service Review Reserve	258	(11)		247
Playgrounds Reserve	100		67	167
Decriminalisation Reserve	42		43	85
Sub-total - Specific Earmarked Reserves	5,761	(715)	4,373	9,419
Revenue Grants not yet applied	1,737	(332)	414	1,819
Total - All Earmarked Reserves	7,498	(1,047)	4,787	11,238

Table 4: Analysis of Specific Reserves

3.11.3 Significant or new approved use of reserves, other than those already referred to in section 3.10 include:

3.11.4 **Planning Policy Reserve** – £73k has been released from the Planning Policy reserve to cover expenditure incurred in 2018/19 associated with the Local Plan.

3.11.5 **DSO Vehicle Capital Reserve** – a contribution of £330k has been made to the reserve in 2018/19 funded from the repairs & maintenance underspend within HRA budgets. This will finance additional vehicles required as part of the expansion of the Council's Housing Repairs service.

3.11.6 **NNDR Growth Fund Reserve** – £250k has been released to fund the provision of specialist professional services associated with the redevelopment of the St George's Centre (Corporate Services).

3.11.7 **Revenue Grants not yet applied** – significant movements include:

- A net transfer of £39k relating to Homelessness Grants has been released into 2018/19 to fund temporary accommodation costs

- £38k Revenues & Benefits grants released to fund temporary staffing and system upgrade costs
- £21k released into the Communities Directorate to fund a War Memorials project
- £20k released from the Waste Grant to fund Depot improvement works
- £154k received from the Ministry of Housing, Communities & Local Government as a contribution to fund preparations for Brexit.

3.11.8 **Lower Thames Crossing** – the purpose of the reserve has been reviewed and updated to reflect the current status of the decision making process for the proposed Crossing. The reserve will provide for any costs incurred by the Authority in relation to assessing/seeking mitigation of any potential environmental or other impacts on the borough and its residents of the Secretary of State's preferred route for a new Lower Thames Crossing.

3.12 Medium Term Financial Planning

3.12.1 The General Fund has ended the 2018/19 financial year in a strong position, principally due to the Council pressing ahead with its proactive *Bridging the Gap* programme of activity to respond to the unrelenting financial challenges facing local government. This programme was expanded in November 2018 to include a further £1.3m of Balancing the Budget initiatives to respond to further budget pressures identified at the start of the 2018 calendar year.

3.12.2 The Council had also benefitted from being part of the Kent & Medway Business Rates Pilot in 2018/19; the Council played a key role in developing the bid to central government and securing this benefit for the whole of Kent.

3.12.3 The financial environment within which the Council operates will remain challenging and with yet more uncertainty in 2019/20. Despite it being less than nine months until the Council has to set its budget for the 2020/21 financial year, the final design of long-term funding arrangements are unclear with the outcomes of the 2019 Spending Review, Fair Funding Review and the final design of the Business Rates Retention System unlikely to be known until Autumn 2019. The delay in the UK leaving the European Union and the impact of any decision on this during 2019 may create further pressure on political processes and the financial standing of the Council.

4 GENERAL FUND CAPITAL PROGRAMME

4.1 The following table details the final outturn for the General Fund Capital Programme and the revised original budget for 2019/20, taking into consideration adjustments for carried forward items approved by the Section 151 Officer and Management team, and subject to audit.

Scheme	2018/19 Original Budget inc C/Fwd £	2018/19 Approved Adjustments £	2018/19 Working Budget £	2018/19 Final Outturn £	Variance £	Estimated C/fwd approved at Council for 2019-20 £	Additional C/Fwd and Adj's to 2019/20 £	2019/20 Original Budget including C/Fwd £
AV Equipment, Council Chamber	0	39,910	39,910	35,997	(3,913)	0	0	0
Back up Generator	0	0	0	0	0	0	0	75,000
Brookvale Office Accommodation	1,500,000	(1,400,000)	100,000	137,104	37,104	1,400,000	(37,100)	1,362,900
Cascades Replacement Flumes	0	100,000	100,000	0	(100,000)	0	100,000	100,000
Civica Financial System upgrade	22,070	0	22,070	23,315	1,245	0	0	0
Envelope Filling Equipment	0	0	0	0	0	0	0	20,000
Essential Repairs to Buildings	99,000	0	99,000	63,094	(35,906)	0	35,900	465,400
Gatekeeper Replacement	50,000	(50,000)	0	0	0	50,000	0	50,000
Gravesend Cemetery Improvements	21,580	0	21,580	0	(21,580)	0	21,580	21,580
Heritage Assets	0	0	0	0	0	0	0	328,500
Heritage Quarter - St George's Centre	0	3,104,080	3,104,080	293,709	(2,810,371)	0	2,810,370	8,272,010
Information at Work - Retention Module Software	13,970	0	13,970	13,965	(5)	0	0	0
IT Equipment Air Conditioning Unit	0	0	0	0	0	0	0	40,000
IT Equipment Review	50,540	0	50,540	24,753	(25,787)	0	0	0
Land Acquisition Programme	0	239,620	239,620	243,760	4,140	0	0	3,658,810
Land at Dering Way	0	0	0	0	0	0	0	4,735,000
Local Enterprise Partnership Projects	56,920	0	56,920	0	(56,920)	0	0	0
New Wheeled Bins for Flat Recycling	100,000	0	100,000	0	(100,000)	0	100,000	100,000
Older Persons Champion	6,410	0	6,410	1,028	(5,382)	0	0	0
Parking Machines	0	0	0	0	0	0	0	251,200
Parrock St Car Park - Toilet Block (Provision)	34,220	(34,220)	0	0	0	0	0	0
Parrock Street Car Park Resurfacing	0	0	0	0	0	0	0	150,000
Property Acquisition Programme	9,141,200	3,871,400	13,012,600	12,054,219	(958,381)	0	958,380	3,286,980
Purchase of Vehicles (DSO Fleet)	205,000	0	205,000	152,132	(52,868)	0	52,870	587,870
Queen Elizabeth II Statue	38,650	0	38,650	17,411	(21,240)	0	0	0
Replacement Artificial Sports Pitches	0	0	0	0	0	0	0	50,000
Replacement Playground Programme	220,000	(102,300)	117,700	117,695	(5)	102,300	0	185,300
Roller Brake Testing	0	30,000	30,000	26,333	(3,667)	0	0	0
St John's House - Refurbishment	70,000	0	70,000	73,372	3,372	0	0	0
Town Pier Pontoon	84,000	0	84,000	57,580	(26,420)	0	0	0
Virtual Desktop Infrastructure Software	8,800	0	8,800	8,869	69	0	0	0
Waste & Horticulture back office system	200,000	0	200,000	7,055	(192,945)	0	192,950	192,950
	11,922,360	5,798,490	17,720,850	13,351,391	(4,369,459)	1,552,300	4,234,950	23,933,500

Table 5: General Fund Capital Programme 2018/19

- **AV Equipment Council Chamber** – all remaining major work for the project has been completed. Hearing loops in all committee rooms including the Council Chamber have been replaced. There are some minor tasks still outstanding by the supplier and comprehensive instructions on how to use all equipment is being developed
- **Brookvale Office Accommodation** – works have commenced at the Brookvale Depot to prepare the site for development, which is now planned to take place in 2019/20
- **Cascades Replacement Flumes** – this scheme will now take place in 2019/20. GCLL are currently liaising with the mould making company for the original flumes and an updated condition report and costs for refurbishment/replacement is likely to be received within the next 6-8 weeks from this supplier
- **Civica Financials System Upgrade** – the works required to upgrade the server hosting the Council's financial systems and the reporting and operations element of the system were completed in February 2019
- **Essential Repairs to Buildings** – the LED lights have now been installed in the Civic Centre car park. Legal Services are in contact with the consultant and the contractor who carried out the concrete repair works to attempt to resolve the dispute

- **Gravesend Cemetery Improvements** – the new cemetery software is currently being implemented
- **St George’s Shopping Centre** – work commenced on the re-enlivenment of the mall areas of the centre in March 2019. The project is progressing as planned, with an anticipated completion date of July 2019
- **Information at Work - Retention Module Software** – the module was successfully installed in 2018/19
- **IT Equipment review** – work on this project is now complete. The total cost came in under the original budget
- **Land Acquisition Programme** – there has been no further activity under this programme in Quarter Four. Spend in the year relates to the acquisition earlier in the year of land at Dering Way and a small town centre site
- **New Wheeled Bins for Flat Recycling** – a review is taking place looking at blocks of flats to determine the number of bins required. This project has slipped into 2019/20
- **Older Persons Champion** – the budget for a number of projects was carried forward from 2017/18. Two new benches have been installed at Portreeve Court. The match funding for Age UK North West Kent bathroom refurbishment has not yet been requested
- **Property Acquisition Programme** – in the last quarter of the financial year the Council secured a further two planned acquisitions – the long leasehold of Units A1-A3 and B1 to B4 Springhead Enterprise Park, and the Freehold of 35-36 New Road. These acquisitions will deliver a combined annual rental income to the Council of £275k
- **Purchase of Vehicles (DSO Fleet)** – all the fleet vehicles ordered for 2018/19 have now been delivered and the fleet renewal plan is now being updated ready for 2019/20
- **Queen Elizabeth II Statue** – expenditure on the Queen’s statue has been wholly funded from third-party contributions. The Right Reverend James Langstaff, Bishop of Rochester and Bishop to H.M. Prisons unveiled the statue jointly with the Leader of the Council on 26th July 2018
- **Replacement Playground Programme** – agreement has been given to update a number of sites including Central Avenue, Durndale Lane, Waterton Avenue and Wombwell Park. The procurement for these sites is currently being undertaken. The sites will be installed during 2019
- **Roller Brake Testing** – the equipment has now been delivered and is fully operational. The project has been completed
- **St John’s House Refurbishment** – refurbishment works were completed in early November and the premises has been let on a 10-year fully repairing and insuring lease with effect from 21 December 2018
- **Town Pier remedial works** – works have now been completed. The tenant was invoiced for the works in December 2018
- **Virtual Desktop Infrastructure software** – the work on the “Workspace Suite” phase for mobile devices has now been completed

- **Waste & Horticulture Back Office System** – stage 1 of the new Bartec system has been implemented which has included the installation of in-cabs units for all refuse and recycling vehicles, automation and changes to the payment system for garden waste.

4.1 Capital Resources

4.1.1 The table below shows the General Fund resources available to fund capital projects in the future:

General Fund Capital Resources	Opening Balance 01/04/2018 £	Actual Income 2018/19 £	Use of Funding 2018/19 £	Closing Balance 31/03/2019 £
Capital Receipts	(1,145,475)	(6,670)	226,990	(925,155)
S106 Capital Contributions	(274,494)	(259,462)	2,900	(531,056)
Capital Grants unapplied	(588,280)	0	257,986	(330,294)
Total Capital Resources	(2,008,249)	(266,132)	487,876	(1,786,505)

Table 6: General Fund Capital Resources 2018/19

Capital Grants Unapplied	Opening Balance 01/04/2018 £	Actual Income 2018/19 £	Use of Funding 2018/19 £	Closing Balance 31/03/2019 £
Public Realm Improvement & Maint Funds	(213,540)	0	213,540	0
Transport Quarter Stage 3	(223,610)	0	44,446	(179,164)
Localised Council Tax Support	(89,220)	0	0	(89,220)
Local Enterprise Partnership Funding	(6,910)	0	0	(6,910)
Land at South of Hever Court Road	(55,000)	0	0	(55,000)
Total Capital Grants Unapplied	(588,280)	0	257,986	(330,294)

Table 7: Capital Grants Unapplied 2018/19

4.1.2 The table below lists the S106 developer contributions currently held by the council. These contributions are treated as specific grants as they have conditions attached to their use.

S106 Developer Contributions	General Fund £	HRA £	Third Party Contributions £	Total S106 Income 2018/19 £	Purpose of S106
Infrastructure Maintenance Depot (IMD) Compensation fund	(2,594)	0	0	(2,594)	This grant fund was established by money secured from Union Rail the developers of the Channel Tunnel Rail Link. The original contribution was £242,000. Its aim is to support the delivery of landscape access, wildlife and recreation schemes in the Wards and Parishes affected by the development.
Land at the South of Hever Court Road	0	0	(80,000)	(80,000)	Highways contribution.
Whitehill Open Space	(52,000)	0	0	(52,000)	Towards qualitative improvements to the wider Whitehill amenity space. These funds might be put towards a number of potential opportunities including, for example, new seating, footpath improvements, new planting and/or the levelling of the retained amenity space to the north of the proposed development.
Land South of Dalefield Way, Dering Way	(67,000)	0	0	(67,000)	Flood Risk Management - £12,000, Bus Shelter - £5,000, £50,000 Cascades Leisure Contribution.
Whitehill Road	0	0	(1,000)	(1,000)	Highways contribution
Springhead Leisure Contribution	(150,000)	0	0	(150,000)	To provide additional and/or improved play facilities at the Recreational ground and if not expended in 7 years after payment any unspent sum should be repaid
Bluewater - Gravesend Town Centre Improvements	(259,462)	0	0	(259,462)	A scheme to improve or enhance the environmental setting, visitor and shopper experience, and / or attractiveness of Gravesend Town Centre.
Total S106 Contributions	(531,056)	0	(81,000)	(612,056)	

Table 8: S106 Contributions 2018/19

5 HOUSING REVENUE ACCOUNT

5.1 Budget 2018/19

5.1.1 The table below sets out the provisional year-end position against the original budget for the Housing Revenue Account (HRA), based on variances during 2018/19.

5.1.2 At 31 March 2019 there was a net total positive variance of £1.110m against the original budget.

Description	Original Budget 2018/19 (£)	Outturn 2018/19 (£)	Variation (£)
Supervision and Management	6,014,770	5,947,540	(67,230)
Repairs and Maintenance	7,766,870	7,520,990	(245,880)
Depreciation	6,813,840	6,789,920	(23,920)
Supporting People Fund - Expenditure	667,200	531,770	(135,430)
Capital Finance	6,539,560	7,182,460	642,900
Sub Total Expenditure	27,802,240	27,972,680	170,440
Rents of Dwellings	(25,298,700)	(25,715,250)	(416,550)
Other Rental Income	(33,370)	(59,490)	(26,120)
Service Charges	(1,380,300)	(1,473,360)	(93,060)
Non Dwelling Income	(327,130)	(312,020)	15,110
Supporting People Fund - Income	(521,640)	(489,450)	32,190
Other Income	(112,260)	(904,730)	(792,470)
Sub Total Income	(27,673,400)	(28,954,300)	(1,280,900)
Contributions to/(from) reserves	(128,840)	981,620	1,110,460
Net Surplus/Deficit	0	0	0

Table 9: Housing Revenue Account 2018/19

5.2 SUPERVISION & MANAGEMENT – £67k FAVOURABLE VARIANCE

5.2.1 **Vacancy Management: £573k favourable variance** – the HRA staffing budget for 2018/19 incorporated a vacancy allowance of £100k for the year. It was anticipated that this would occur throughout the establishment as a whole from natural staff turnover within day-to-day business activities, as well as posts held vacant pending the re-design of services. The year-end position is an underspend of £673k, therefore giving rise to the net favourable variance of £573k. Whilst the majority of this underspend is attributable to the Supervision and Management budget line, there is an element of the saving that is incorporated in the Repairs and Maintenance budget line.

5.2.2 **New Build Preliminary Costs: £234k adverse variance** – the Council incurred unbudgeted preliminary costs relating to the development of a New Build scheme at Whitehill Road where planning permission has not yet been granted. Under the terms of the 1-4-1 agreement with MHCLG, until planning permission is obtained, these costs cannot be capitalised and funded from 1-4-1 receipts. Once planning permission is granted these costs can be funded from capital resources.

5.2.3 **Stock Condition Survey: £20k adverse variance** – it was agreed to increase the number of properties included in the 2018/19 stock condition survey from 1,000 to 2,000 properties. This brought forward work proposed for 2019/20 and will produce enhanced financial information which will improve the quality of future financial projections on repairs and maintenance spend to inform both the revenue and capital

programme for 2019/20 and beyond. The cost of the additional properties to be surveyed has resulted in an additional cost of £20k.

5.2.4 **Accounting Adjustments: £218k adverse variance** – two technical year-end accounting adjustments relating to IAS19 (pension scheme liability) and accumulated absences have an adverse effect on the Supervision and Management budget line. However, the opposite side of these adjustments are reported as underspends within the Capital Finance budget line. As a result there is no overall negative impact on the HRA of this adverse variance.

5.2.5 **Other Minor Variances: £34k adverse variance** – a number of minor variances were recorded within Supervision and Management; the net effect of these variance was an overspend of £34k.

5.3 **REPAIRS & MAINTENANCE – £246k FAVOURABLE VARIANCE**

5.3.1 **Repairs & Maintenance: £240k – favourable variance** – as reported through 2018/19, significant changes within the Responsive Repairs Team continue to deliver efficiencies and savings whilst providing an equitable service that meets the Council's objectives as a landlord as well as managing tenants' expectations. The IT system that was introduced continues to support the evolution of the service. It has created further opportunities to work in smarter ways to deliver efficiencies and savings, underpinned and reinforced by the introduction of the new and updated policies that ensure that only necessary work is carried out and that any works above and beyond the responsibility of the Council are paid for by the tenant. These changes align to recommendations of the Overview Scrutiny Committee; Housing Repairs Topic Review (Part 2). On 8 October 2018, a decision was made by the Cabinet to expand the in-house Building Management Team; as a consequence of this decision a contribution was made to the Vehicle Replacement Reserve to offset the capital cost of new vehicles required for the additional staff.

5.3.2 **Other Minor Variances: £6k favourable variance** – a number of minor variances have been reported within Repairs & Maintenance, the net effect of these variances is £6k.

5.4 **DEPRECIATION – £24K FAVOURABLE VARIANCE**

5.4.1 **Depreciation: £24k favourable variance** – the depreciation charge for the year was lower than budgeted. The depreciation charge is recycled through the Major Repairs Reserve and used as a funding source for future capital works.

5.5 **SUPPORTING PEOPLE EXPENDITURE – £135k FAVOURABLE VARIANCE**

5.5.1 **Supporting People – £135k favourable variance** – in light of the cessation of funding from KCC for Supporting People, the service was redesigned for 2018/19. The expenditure was lower than originally budgeted, primarily as a result of Warden vacancies that have remained in the establishment during the course of the year.

5.6 **CAPITAL FINANCE – £642k ADVERSE VARIANCE**

5.6.1 **Interest Payable: £66k – adverse variance** – following the early adoption of a two loans pool from 1 April 2018, the interest charges relating to HRA debt is £66k more than originally budgeted.

5.6.2 **Accounting Adjustments: £577k adverse variance** – the opposite side of the two technical year-end accounting adjustments referred to in Para 5.2.4 has a favourable

variance on the Capital Financing budget line of £218k. Furthermore, in financing the capital programme, accounting entries totalling £795k, which relate to the use of S106 grants and a revenue contribution to capital (RCCO) are included under the capital financing budget line. The opposite side of the S106 adjustment (£776k) is reversed through the Other Income budget line so there is no negative effect on the HRA account.

5.7 RENTS ON DWELLINGS – £417k FAVOURABLE VARIANCE

5.7.1 **Rents on Dwellings: £273k – favourable variance** – the final position was influenced by an increase in the number of affordable rented properties as a result of new properties built or purchased under the New Build Programme.

5.7.2 **Debt impairment Provision: £144k – favourable variance** – due to the roll out of Universal Credits, the provision for bad debt was increased to reflect the potential impact of increased rent arrears due to benefits being paid directly to tenants. Whilst the level of arrears has increased, the provision made for the year (based on the debts outstanding as at 31 March 2019) was £144k below the level budgeted.

5.8 OTHER RENTAL INCOME: £26k FAVOURABLE VARIANCE

5.8.1 **Minor Variances: £26k favourable variance** – there are small variances on a number of budget lines within Other Rental Income which total to give a favourable variance of £26k.

5.9 SERVICE CHARGES: £93k FAVOURABLE VARIANCE

5.9.1 **Service Charges: £93k favourable variance** – the favourable variance at year-end resulted from the collection of service charge contributions from both HRA and Leasehold tenants.

5.10 NON DWELLING INCOME: £15k ADVERSE VARIANCE

5.10.1 **Non Dwelling Income: £15k adverse variance** – there are a number of minor variances within Non Dwelling Income, the net effect of these variances is £15k.

5.11 SUPPORTING PEOPLE FUND - INCOME: £32k ADVERSE VARIANCE

5.11.1 **Supporting People Income: £32k adverse variance** – funding from KCC to support this service ceased in March 2018 and as a result, the budget for 2018/19 was based on a number of assumptions. An adverse budget variance has arisen during 2018/19 and as a consequence officers are closely monitoring this area to identify if further budget modifications are required going forward.

5.12 OTHER INCOME: £792k FAVOURABLE VARIANCE

5.12.1 **Accounting Adjustments: £776k favourable variance** – the opposite side of the S106 accounting adjustment referenced in Para 5.2.4 has a favourable variance on Other Income.

5.12.2 **Investment Income: £14k favourable variance** – the HRA share of investment income was £14k higher than budgeted.

5.12.3 **Other Minor Variances: £2k favourable variance** – there are a number of budget lines within Other Minor Variances which total to give a favourable variance of £2k.

5.13 Working Balances and Reserves

5.13.1 The variances and Carried Forward items outlined in this report have the following effect upon the General Fund working balances:

Working Balances	£
Balance Brought Forward from 2017/18	3,000,000
Variances per budget report	981,620
Forecast working balances C/Fwd (as at 31 March 2019) including minimum HRA Working Balance	3,981,620
Less: Transfer to HRA General Reserve (Revenue)	(981,620)
Forecast Usable Working Balances C/fwd (as at 31 March 2019)	3,000,000

Table 10: Effect on Housing Revenue Account Working Balances

5.13.2 The working balances are supplemented by specific reserves established to assist with future funding obligations or initiatives. The table below provides a summary of the forecast movements on these specific reserves during the year.

General Fund Reserves	Opening Balance 01/04/2017 £'000	Forecast Contributions (Income) £'000	Forecast Use of Reserve (Expenditure) £'000	Forecast Balance 31/03/2018 £'000
HRA General Reserve	(7,441)	(982)	2,338	(6,085)
Total	(7,441)	(982)	2,338	(6,085)

Table 11: Analysis of Specific Reserves – HRA

6 HOUSING CAPITAL PROGRAMME

- 6.1 The following table details the final outturn for the Housing Capital Programme and the revised original budget for 2019/20, taking into consideration adjustments for carried forward items approved by the Section 151 Officer and Management Team, and subject to audit.

Ref No:	Scheme	2018-19 Original Budget inc C/fwd	2018-19 Final Outturn	Variance	Estimated C/Fwd approved at Council for 2019-20	C/fwd to 2019-20	2019-20 Original Budget inc C/fwd
A	Replacement Programmes	4,017,940	3,050,510	(967,430)	0	383,140	4,920,550
B	Improvement Programmes	2,228,320	2,231,870	3,550	0	0	2,069,290
C	Health & Safety Works	1,110,420	449,690	(660,730)	0	636,450	1,773,980
D	New Build & Acquisitions	5,326,780	5,039,480	(287,300)	0	197,300	7,662,300
E	Housing Computer Systems	600,000	0	(600,000)	600,000	0	600,000
F	Virtual Desktop Infrastructure	2,930	2,960	30	0	0	0
G	Replacement Play Equipment	80,000	0	(80,000)	80,000	0	80,000
H	IT Equipment Review	16,850	8,250	(8,600)	0	0	0
	Sub Total (HRA Capital Programme)	13,383,240	10,782,760	(2,600,480)	680,000	1,216,890	17,106,120
I	Disabled Facilities Grant	1,514,590	820,990	(693,600)	0	693,600	1,526,400
	Total (HRA & GF Capital Programme)	14,897,830	11,603,750	(3,294,080)	680,000	1,910,490	18,632,520

Table 12: Housing Capital Programme 2018/19

- 6.2 The total capital budget for 2018/19 was £14,897,830 of which £13,383,240 related to HRA capital schemes and £1,514,590 related to non-HRA capital schemes. These budgets included £231,230 and £544,140 respectively that were carried forward from 2017/18.
- 6.3 The focus of the 2018/19 HRA capital programme was to maintain a minimum decent homes standard for the Council's housing stock, with £7,356,680 earmarked for this purpose across the Replacement, Improvement and Health & Safety Programmes. After taking into account the proposed carried forward amounts, across these three programmes there are savings of £605k at the end of the financial year. Reduced replacement costs on kitchens and bathrooms have contributed towards these savings.
- 6.4 The Council also continued its commitment to build new homes with £5,326,780 allocated for this purpose.
- 6.5 The works undertaken/completed in 2018/19 are detailed below.
- 6.5.1 **Replacement Programmes (Ref A)** – the following works have been completed in 2018/19:
- 171 kitchen replacements
 - 119 bathroom replacements
 - 125 properties had new window and door replacements
 - one block had communal windows and doors replaced
 - 857 properties had electrical tests and/or remedial works including rewiring, minor works and upgrades to consumer units
 - 103 blocks have had communal electrical tests and/or remedial works completed
 - eight residential blocks had the roofing completely replaced
 - 12 domestic properties have had roof renewals.

6.5.2 Improvement Programmes (Ref B) – the following works have been completed in 2018/19:

- 359 properties had new central heating systems installed
- 19 properties had new storage heating installed
- 45 properties had level access showers/wet rooms installed
- 23 properties had over-bath installations
- 28 stairs lifts were installed in properties
- 5 properties had various adaptations completed including accessible kitchens, bathrooms and ramps
- 16 properties received renewed soakaways
- 15 properties had major renovations works completed
- 2 properties were converted from a 1 to 2 bedroom unit
- 1 block had major works carried out on the mains water supply
- A major refurbishment project commenced at Park Place on all 6 blocks which included renewal of flat roofs, upgrades to the stairways and new/re-surfacing to walkways.

6.6 Health & Safety Works (Ref C) – the following works have been completed in 2018/19:

- Compartmentalisation works have been carried out in the basement of The Hive. The works were agreed as a preventative measure to help contain the spread of flames in the event of a fire. In addition, works have also been carried out to protect the gas and electrical meters situated in the basement
- 5 passenger lifts had various works carried out including major modernisation works to two lifts
- 336 properties had smoke alarm installations completed
- 17 blocks have had upgrades to the warden call/door entry systems
- Retrofitting of a Fire Sprinkler system has commenced at Homemead.

6.7 New Build (Ref D)

6.7.1 The Authority signed an agreement with the DCLG to retain part of the Right To Buy (RTB) receipts and use them as part-funding of new build and/or acquisition of additional social housing. The following is the reported position at the end of Quarter Two:

- The 10 unit scheme at Packham Road (now known as Alders Court) is now complete with 6 x 2 bed houses; 3 x 1 bed bungalows and 1 x 2 bed wheelchair compliant bungalow all now occupied
- The Council continues to consider the purchase of RTB properties and flats in blocks where GBC are the freeholder. A total of 9 properties have been purchased during 2018/19, bringing the cumulative purchases to date to 39 properties
- The conversion of the Kings Farm Estate Office to a 4-bed wheelchair home was completed and the property occupied in 2018/19

- Planning permission for the conversion of two former sheltered scheme managers' flats has been granted. The 2 vacant flats will provide 4 x 1 bed flats for older people;
- Westridge Construction Limited has commenced work at St Hilda's Way and the demolition of the former depot and garages is underway. The scheme is set to deliver 10 x 1 and 2 bed flats, 4 x 2 bed maisonettes and 32 x 2 bed houses. The project is expected to complete in Winter 2019
- Following a tender via the South East Consortium, a contract has been awarded to Westridge Construction Limited to deliver 24 x 1 and 2 bed flats and 8 x 3 bed houses on land at Whitehill and Nansen Road. The former Tenant's Association building on the site has now been demolished and construction works will commence in July 2019
- A full planning application has been submitted for the Council's next new build scheme at Valley Drive. Subject to planning, this scheme will deliver 32 x 1 bed flats for over 55s and 16 x 1, 2 and 3 bed general needs flats
- Three further schemes are at the pre-application stage for sites at Rembrandt Drive/Constable Road, St Patrick's Gardens and St Dunstan's Drive, which if successful, will increase our housing stock by an additional 35 homes
- Continued consideration is given to other sites across the borough to enable the delivery of new Council homes.

6.7.2 The Council is permitted to retain part of the RTB receipts to repay the debt incurred in 2012 as part of HRA self-financing. As at 1 April 2018, the balance on the RTB Allowable Debt reserve fund stood at £425,980. The proposal is to use the RTB Allowable Debt reserve to help fund the New Build projects as this can either be used to repay debt or finance the capital programme. This will ensure that the revenue surplus being generated can be moved to a general HRA reserve available for future use against either revenue or capital and that monies are only borrowed once all available resources have been utilised.

6.7.3 Table 13 summarises the one for one receipts retained from the sale of Right To Buy properties, since 2012, along with the level of GBC's contributions required to deliver the New Build programme and a summary of when expenditure needs to be delivered to avoid having to return funds to Central Government.

	One for one receipts retained	GBC 70% contribution to new build	Value of new build expenditure expected	Cumulative value of new build expenditure expected	Date of new build expected by
	£	£	£	£	
2012-14 c/f	1,518,530	3,543,220	5,061,750	19,194,350	31-Mar-17
2014-15					
Q1	174,940	408,210	583,150	5,644,910	30-Jun-17
Q2	443,310	1,034,390	1,477,700	7,122,600	30-Sep-17
Q3	327,760	764,760	1,092,520	8,215,120	31-Dec-17
Q4	865,790	2,020,160	2,885,950	11,101,070	31-Mar-18
2015-16					
Q1	124,270	289,960	414,230	11,515,300	30-Jun-18
Q2	233,510	544,870	778,380	12,293,680	30-Sep-18
Q3	589,670	1,375,910	1,965,580	14,259,260	31-Dec-18
Q4	650,580	1,518,010	2,168,590	16,427,860	31-Mar-19
2016-17					
Q1	697,650	1,627,850	2,325,500	18,753,360	30-Jun-19
Q2	205,200	478,790	683,990	19,437,350	30-Sep-19
Q3	541,710	1,263,990	1,805,700	21,243,060	31-Dec-19
Q4	532,670	1,242,890	1,775,560	23,018,620	31-Mar-20
2017-18					
Q1	351,150	819,350	1,170,500	24,189,120	30-Jun-20
Q2	296,150	691,020	987,170	25,176,290	30-Sep-20
Q3	730,460	1,704,420	2,434,880	27,611,170	31-Dec-20
Q4	433,800	1,012,210	1,446,010	29,057,180	01-Jan-21
2018-19					
Q1	694,160	1,619,710	2,313,870	31,371,040	30-Jun-21
Q2	484,630	1,130,800	1,615,430	32,986,460	30-Sep-21
Q3	379,770	884,130	1,265,900	34,252,360	31-Dec-21
Q4	238,610	556,760	795,370	35,047,730	31-Mar-22
	10,250,310	23,917,390	34,167,700		

Table 13: New Build

6.8 Housing Computer System (Ref E)

- 6.8.1 Invitations to tender for the joint procurement of Housing Management Systems for Gravesham and Medway Councils were sent out by the procurement team on 27 March 2019. The Council is awaiting the return and evaluation of the tender documents in order to proceed to the next phase.

6.9 Replacement Playground Equipment (Ref G)

- 6.9.1 A review of the housing play sites was completed and an action plan is currently being drawn up to establish the current needs for each site. Once completed, the capital funding will be allocated against the priority areas.

6.10 Disabled Facility Grants (DFGs) (Ref I)

6.10.1 The Private Sector Housing Assistance Policy has been revised and changes were implemented in April 2018. The policy changes has enabled people to gain access to funding which otherwise would not have been available. An additional nine people have been assisted in the final quarter of 2018/19 in order to improve hospital discharges. A further 16 people have benefitted from measures which ensured they were discharged from hospital into a safer home environment, making a total number of beneficiaries to date 25 and 66 respectively.

6.10.2 The DFG administration process continues to work well, with 73 cases processed in 2018/19. Of the 73 cases processed, the breakdown is as follows:

- 15 grant cases were approved
- 22 households had works completed
- five applications were cancelled due to changes in the client's circumstances
- 31 grant cases are awaiting approval.

6.10.3 The Council was awarded grant funding in 2018/19 of £832,800 for the purpose of DFGs, with further funding of £137,690 being awarded in year. Therefore the total budget, including the carry forward from 2017/18 of £544,140, brought the total funding to £1,514,630.

6.10.4 In 2018/19 grants to the value of £821,000 were paid with additional commitments made to the value of £112,341. The team continue their endeavours in relation to providing the DFG programme to homes eligible for assistance and comply with the wider remit of the Better Care Fund.

6.11 Capital Resources

6.11.1 The table below shows the resources available to fund capital projects in future.

Housing Capital Resources	Opening Balance 01/04/2018 (£)	Income 2018/19 (£)	Use of Funding 2018/19 (£)	Projected Balance 31/03/2019 (£)
Capital Receipts - HRA	(1,085,850)	(244,160)	11,210	(1,318,800)
Capital Receipts - GF Housing	(27,770)	(41,130)	0	(68,900)
Capital Receipts - PV Panels	(3,573,000)	0	0	(3,573,000)
Major Repairs Reserve - Dwellings	(525,330)	(6,572,290)	5,695,140	(1,402,480)
Major Repairs Reserve - Non Dwellings	(451,220)	(200,810)	0	(652,030)
New Build Reserve: 1-4-1 Receipts	(5,248,330)	(1,796,970)	1,500,350	(5,544,950)
Right to Buy Allowable Debt Reserve	(425,980)	(438,550)	425,980	(438,550)
Disabled Facility Grants	(544,130)	(970,490)	820,990	(693,630)
Christianfields Overage	(766,000)	0	0	(766,000)
Total	(12,647,610)	(10,264,400)	8,453,670	(14,458,340)

Table 14: HRA and General Fund Housing Capital Resources 2018/19

The background papers to this report are held within the Accountancy Section

IMPLICATIONS	APPENDIX 1
Legal	There are no specific legal matters arising from this report.
Finance and Value for Money	The financial implications are contained within the body of this report.
Risk Assessment	The purpose of this provisional outturn report is to identify performance against the original budget set for the 2018/19 financial year and illustrate how this affects the Working Balances and Earmarked Reserves held by the council at the end of the financial year (subject to audit).
Data Protection Impact Assessment	<p data-bbox="416 510 1517 622"><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p data-bbox="416 651 1517 882">a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data? A definition of each type of data can be found on the Information Commissioner’s Office website via the above links. N/A</p> <p data-bbox="416 898 1517 1048">b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A</p> <p data-bbox="416 1064 1517 1191">c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk. N/A</p>
Equality Impact Assessment	<p data-bbox="416 1234 1517 1413">a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. No decision – paper is for information only.</p> <p data-bbox="416 1429 1517 1579">b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. N/A</p> <p data-bbox="416 1594 1517 1700"><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
Corporate Plan	Corporate Plan Objective Four: Sound and self-sufficient council
Crime and Disorder	No direct implications
Digital and website implications	No direct implications

Safeguarding children and vulnerable adults	No direct implications
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