

Gravesham Borough Council

Report to: Cabinet
Finance & Audit Committee

Date: 9 November 2015
18 November 2015

Reporting officer: Service Manager – Finance

Subject: Budget Monitoring Report 2015-16 – Quarter Two

Purpose and summary of report:

To provide Members with information on actual performance against the approved Revenue and Capital budgets for 2015-16, including known variances agreed or identified through budgetary control activity.

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:

This report is for information only.

1. INTRODUCTION

- 1.1. The Constitution of the Council requires the Assistant Director (Finance) to report to Members with respect to the Council's finances and financial performance. This report therefore provides an assessment of performance against approved budgets for the 2015-16 financial year for the six-month period to 30 September 2015 as well as updating Members on other key areas of financial performance.
- 1.2. The Council continues to maintain 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 include:
- Requiring all financial decisions and major acquisitions to be brought to Management Team for discussion and approval;
 - Approval of purchase orders by a Senior Officer;
 - Requiring any recruitment activity (relating to both permanent and temporary appointments, and including use of overtime) to be considered and approved by Management Team.

2. GENERAL FUND (REVENUE)

2.1. Budget 2015-16

2.1.1. The approved Original Budget Requirement for 2015-16 is £14,312,990, funded by Central Government Grant, retained Non-Domestic Rates, Council Tax and use of £2,012,730 usable Working Balances, in accordance with the Medium Term Financial Strategy.

2.1.2. The table below sets out the current assessment of performance against the Original Budget by Directorate, based on known variances to 30 September 2015.

Area	Original Budget 2015-16 (£)	Value of Reported Variances (as per MTFP)	Variances funded by reserves	Current Forecast 2015-16 (£)
Chief Executive	1,040,060	500	0	1,040,560
Housing & Regeneration	2,533,420	19,570	0	2,552,990
Communities	4,383,390	13,970	0	4,397,360
Finance & Environment	5,337,230	(140,970)	0	5,196,260
All Directorates	(437,680)	(54,670)	134,550	(357,800)
	0	0	0	0
Items Carried Forward from 2014-15	0	0	308,590	308,590
Transfers to/ (from) reserves	(271,520)	0	(134,550)	(406,070)
Transfers to/ (from) balances	1,728,090	0	(308,590)	1,419,500
TOTAL	14,312,990	(161,600)	0	14,151,390

Table 1: General Fund Revenue Assessment of Performance to date 2015-16: by Directorate

2.2. Reported Variances – All Directorates

2.2.1. **Vacancy Management (favourable variance)** - the council's staffing budget for 2015-16 is predicated on the achievement of a savings target of £350,000 for the year, with this being delivered through effective management of vacant posts and the staffing establishment as a whole. For the six months to the end of September, the vacancy saving achieved stood at £404,670. The £54,670 in excess of the budgeted £350,000 is included as a favourable variance in this report. Further vacancy management savings that accrue for the remaining six months of this financial year will directly impact the 'bottom line' now that the savings target for the year has been met.

2.3. Reported Variances – Chief Executive Directorate

2.3.1. There are no significant variances to report.

2.4. **Reported Variances – Housing & Regeneration Directorate**

- 2.4.1. **Ebbsfleet Development Corporation (EDC) (neutral effect)** – the EDC assumed planning powers for the designated area with effect from 1 July 2015. Because the EDC is still in its infancy, the council has entered into a Service Level Agreement (SLA) with the EDC to process planning applications submitted in the area for a period of six months to 4 January 2016, though the period covered by the SLA could be extended if required. Under the current SLA, the EDC will pay the council a one-off lump sum of £27,530 for providing this service up to 4 January 2016, with these funds being earmarked to enable additional consultancy support as necessary. The council will retain any planning fees associated with applications processed during this time.
- 2.4.2. **Open Space, Sport and Recreation Assessment (neutral effect)** – the council is required to commission this study to support the preparation of the Site Allocations and Development Management Policies Development Plan Document as part of the Local Development Scheme. Funding for the cost of this study, £55,000, has been identified from external grant income previously received but unspent.
- 2.4.3. **Enhancement of data systems (neutral effect)** - the council is seeking to improve the Local Land and Property Gazetteer (LLPG) and the UNiform system to address existing system limitations that are causing operational inefficiencies and restricting transformational improvements. Funding for a systems audit and modular enhancements to the UNiform system of £16,760 will be met from the Corporate Priorities Reserve. This work will enable improvements in efficiencies in all directorates of the council.
- 2.4.4. **Other Minor Variances (adverse variance)** – a number of minor variances have been reported within the Housing & Environment Directorate; the net effect of these variances is £19,570.

2.5. **Reported Variances – Communities Directorate**

- 2.5.1. **High Street Innovation Fund (neutral effect)** – £7,270 remains of the £100,000 High Street Innovation Grant, most of which was expended during 2014-15 to bring the plans for the refurbishment of the Borough Market up to the level required to obtain Coastal Communities funding. The remaining balance will be used to support the redevelopment plans for the Market.
- 2.5.2. **New Burdens Grants (favourable variance)** – The council has received £32,210 from the Department for Communities and Local Government in the form of a New Burdens payment relating to settlement of land charges claims.
- 2.5.3. **Heritage Assets (adverse effect)** – the council owns a number of Heritage Assets that require ongoing repairs and maintenance. To enable the council to develop a planned, proactive approach to maintaining these assets, budgetary provision of £25,000 has been made available in order to ensure that a current condition survey and conservation plan is held for all such assets.
- 2.5.4. **Town Pier Pontoon (neutral effect)** – the council has entered into a management contract for the running of the Town Pier Pontoon. The £30,000 annual cost of this contract is to be met by reducing the annual contribution to the Town Pier Pontoon Reserve.

- 2.5.5. **Daytime Security (adverse variance)** – following a series of instances of unacceptable and aggressive behaviour, the council engaged a security company for an initial 12-month period to provide a security presence at the front of the Civic Centre during daytime hours. Following a successful initial period, the service has continued and budgetary provision of £22,520 has therefore been made for 2015-16 and future years for continuation of this service.
- 2.5.6. **Single Customer Contact Platform (SCCP) (neutral effect)** – in July 2015, Cabinet approved the procurement of SCCP software as part of the council's digital strategy. Funding for the software is to be made available from the Spend to Save reserve.
- 2.5.7. **Civic Centre Foyer Lift renewal (neutral effect)** – as approved by Cabinet in June, the foyer lift in the Civic Centre has seen increased usage due to a higher level of footfall in this area and resultantly is becoming increasingly prone to breakdowns. Funding of £78,000 has been made available from the Repairs & Renewals Reserve to enable the lift to be replaced.
- 2.5.8. **Other Minor Variances (favourable variance)** – a number of minor variances have been reported within the Communities Directorate; the net effect of these variances is £1,340.

2.6. Reported Variances – Finance & Environment Directorate

- 2.6.1. **New Burdens Grants (favourable variance)** – additional funding of £20,520 has been made available by the Department for Work & Pensions to support the costs of implementing welfare reform changes in 2015-16. Further additional funding of £26,820 has been made available to support the costs of implementing the Localised Support for Council Tax Scheme in the year.
- 2.6.2. **Discretionary Housing Grant (adverse variance)** – The budgeted grant income has been reduced by £41,600 to reflect the lower allocation from DWP for the Discretionary Housing grant; all grant received is expected to be spent in year.
- 2.6.3. **Introduction of Tablet Devices (favourable variance)** – On 2 March 2015, Cabinet approved the introduction of tablet devices for all Members of the Council and senior officers as a replacement of the printing and distribution of committee agenda papers. This will generate anticipated annual revenue savings of £15,000 per annum not included in the Original Budget for 2015-16.
- 2.6.4. **Tendering of Insurance Services (favourable variance)** – as reported to Cabinet in March 2015, the council was required to retender its insurance provision in the first part of the financial year. The outcome of this exercise realised annual savings of some £15,000 for 2015-16 against the premiums previously paid by the council.
- 2.6.5. **Solar Powered Compaction Bins (adverse variance)** – as reported to Cabinet in February 2015 the town centre litter bins were in need of replacement. The £25,710 variance represents the net leasing cost of introducing the new bins in 2015-16, which was agreed subsequent to the approval of the original budget.

- 2.6.6. **Team Green Apprenticeships (adverse variance)** – since March 2013 the council has been providing a twelve-month supervised programme with Groundwork South for ten local young people not in education, employment or training (NEET). The programme provides the apprentices with the opportunity to work on a range of outdoor environmental projects whilst undertaking a Level 2 NVQ in an associated subject, whilst also bringing significant benefits to the borough's residents and businesses. Due to the success of the programme, the Council has extended project for an additional 12 months and will make a contribution of £80,000 in 2015-16 to cover the cost of the scheme.
- 2.6.7. **Fraud & Error Reduction Incentive Scheme (FERIS)(neutral variance)** - The Department for Work & Pensions launched the FERIS Scheme on 24 November 2014. Running through 2015/16, the aim of the scheme is to encourage Local Authorities to find as many changes of circumstance which reduce HB entitlement as possible. The council submitted a bid for funding and was successful in receiving £14,290; this will be used to meet the cost of securing additional resources to administer the FERIS requirements.
- 2.6.8. **Car Parks (favourable variance)** – The budget for 2015-16 reflected the expectation that the Rathmore Road car park would be closed as part of the works to enhance the road infrastructure in the area. The timing of this work has slipped and the car park will remain open during the year, resulting in a net £155,730 favourable variance to the 2015-16 Original Budget.
- 2.6.9. **Parking review in Support of Businesses and Shoppers (neutral effect)** – as agreed by Cabinet in September, the council will be introducing a two-hour free parking period on Saturdays, with a change to the current parking tariff structure aimed at supporting businesses and shoppers within the Town Centre. The proposals are considered to be cost neutral.
- 2.6.10. **Extension of Kingdom Enforcement Powers (neutral effect)** – in July, Cabinet agreed to the extension of the powers delegated to Kingdom to include dealing with offences that relate to waste receptacles, including situations where residents put their refuse out for collection a number of days before the due collection day.
- 2.6.11. **Business Rate Retention Scheme – S31 Grants (favourable variance)** – the council is receiving Section 31 Grants from central government to mitigate the effects of Non Domestic Rate reduction initiatives such as Small Business Rates Relief, capping of inflationary increases to business and Retail Rate Relief for small retail premises. It is estimated that these grants, in lieu of business rates receivable, will be to the value of £690,350 in 2015-16. All sums are received 'on account' and reconciled as part of the year end accounting for business rates.
- 2.6.12. **NDR Collection Fund Deficit (adverse variance)** – The Collection Fund is maintained by the Council in its statutory role as Billing Authority for Council Tax and Business Rates in the borough, and records income generated and the distribution of those funds to the relevant preceptors. The accounting arrangements of the Collection Fund mean that any surpluses or deficits arising on the Collection Fund can only be accounted for in future years, hence a sum of £646,030 to be met in 2015-16 in respect of Gravesham's share of the Business Rates Collection Fund deficit for 2014-15 and prior years.
- 2.6.13. **Other Minor Variances (favourable variance)** – a number of minor variances have been reported within the Finance & Environment Directorate; the net effect of these variances is £10,890.

2.7. Other Variances and Risks not reflected in the Current Budget

- 2.7.1. **Fees and Charges** – Income received from fees and charges supports the annual budget. Monitoring to the end of September indicates that these income streams are currently performing well against budget; monitoring will be continue during the year with any known variances reported through future budget monitoring reports.
- 2.7.2. **Borough Market** – as Members will be aware, the Borough Market closed on the 6 June for refurbishment works. Work is ongoing to reflect the effect of the market closure in the revenue budget for the year.
- 2.7.3. **Council Tax and Council Tax Support Scheme** - 2015-16 is the third year of the Localised Council Tax Support Scheme which replaced Council Tax Benefit. Under the Scheme, claimants effectively receive a discount on their liability for council tax rather than receiving benefit, reducing the tax base and the amount of council tax that is collectable. Members will recall that the Council has adopted a three-year “common criteria” scheme, consisting of a standard 8.5% reduction of Council Tax Support to those of working age in 2013-14, with a reduction in support of 18.5% in years two and three of the Scheme (2014-15 and 2015-16). The reduction in council tax support was necessary in order to offset a central government decision to reduce the level of grant received by Gravesham Borough Council in relation to Council Tax support for ratepayers.
- 2.7.4. Monthly monitoring of the council tax base and collection rate is undertaken and this is showing that both are currently performing as anticipated.
- 2.7.5. **Business Rate Retention** - 2015-16 also sees the third year of the Business Rates Retention Scheme (BRR). Under the scheme, the Council retains a proportion of locally generated business rates, with the opportunity to benefit from any growth in business rates, but also the risk of sharing the cost of any reduction in business rate yield.
- 2.7.6. As with Council Tax, monthly monitoring is undertaken of the business rates base and collection rates; both are currently performing as anticipated, though the business rates base in particular is subject to volatility in that the timescales and value of settlement of appeals by the Valuation Office Agency cannot be reliably forecast.

2.8. Transfers to/from Reserves

2.8.1. As noted earlier in this report, the following transfers to and from reserves have been proposed:

- **Enhancement of Data Systems** – funding of £16,760 drawn from the Corporate Priorities Reserve
- **Planning Policy Reserve** – as indicated in section 2.9, work totalling £138,290 carried forward from 2014-15 relating to the Local Plan work will be funded from the Planning Policy Reserve.
- **Gravesham CAN** – the £31,570 unspent CAN monies from 2014-15 have been rolled into 2015-16 per section 2.9 and will be fully funded by the CAN Reserve.
- **Town Pier Pontoon** – reduced contributions to the Town Pier Pontoon reserve to fund the annual management agreement of £30,000. This will still enable the fund to fulfil its profiled maintenance obligations over the fifteen-year maintenance plan.
- **Introduction of Tablet Devices** – the funding for the scheme has been drawn from the IT Infrastructure Reserve which has a spend programme of some £170,000 for the year.
- **Single Customer Contact Platform** – funding of £35,000 is to be drawn from the Spend to Save Reserve, with repayment to the reserve taking place over three years from 2016-17.
- **Civic Centre Foyer Lift replacement** – funding of £78,000 is to be drawn from the Repairs & Renewals Reserve.

2.9. Items Carried Forward from 2014-15

2.9.1. The following carried forward items from 2014-15 to 2015-16 have been approved by the authority's Section 151 Officer, the Assistant Director (Finance):

Directorate	Expenditure/ Income Heading	Amount £	Reason
Housing & Regeneration	Planning Policy	138,820	Commitments in 2014-15 for planning policy work that spans more than one financial year and not be completed until 2015-16. This expenditure is fully funded by the Planning Policy Reserve and has no direct effect on the revenue budget.
Housing & Regeneration	Planning Policy (Local Plan)	(138,290)	The incoming reserve monies to fund the slippage of the Local Plan expenditure above.
Housing & Regeneration/ Communities	Development & Pollution Control	13,610	Works commenced in 2014-15 but will not be completed until 2015-16, hence the budget provision needs to be slipped to match the activity.
Communities	Town Services	8,610	The unspent budget from 2014-15 will be applied to projects in 2015-16.
Communities	Cascades Leisure Centre	27,500	To meet the cost of works in relation to the maintenance of the facilities at the Leisure Centre those were not fully completed in 2014-15.
Communities	CAN Scheme	31,570	The unspent budget from 2014-15 will be applied to projects in 2015-16.
Communities	CAN Scheme	(31,570)	The incoming reserve monies to fund the CAN Scheme expenditure above.
Communities	Land Charges	23,000	The unspent budget from 2014-15 will be used to fund required IT System upgrades in 2015-16.
Communities	Community Involvement	85,540	The unspent budget from 2014-15 will be applied to projects in 2015-16.
Housing & Regeneration	Empty Properties	58,760	The work that will utilise this budget provision will now be completed in 2015-16.
Communities	Corporate Training	£34,000	The unspent provision for training will be rolled into 2015-16 to fund continuing staff training initiatives including Investors in People.
Housing & Regeneration	Private Housing Stock Condition Survey	£40,000	Works contracted in 2014-15 but will not be completed until 2015-16.
Communities	Legal Services	£17,040	The unspent budget from 2014-15 will be used to fund settlement of a planning appeal finalised in 2015-16.
	TOTAL	£308,590	

Table 2: Items Carried Forward from 2014-15

2.10. Working Balances and Reserves

2.10.1. The variances against the Original Budget within Sections 2.2 to 2.8 and the Carried Forward items outlined in Section 2.9 have the following effect upon the General Fund working balances:

Working Balances	£
Balance Brought Forward from 2014-15	6,124,610
Items carried forward from 2014-15	(308,590)
"Gravesham CAN" scheme (Adjustment to balances - Final Year)	100,000
New Homes Bonus (Straight to working balances)	1,628,090
Budgeted use of Working Balances to support the General Fund	(2,012,730)
Variances per budget report	161,600
Forecast Working Balances C/Fwd (as at 30 September 2015) including Minimum GF Working Balance	5,692,980
Less: Minimum GF balance	(1,250,000)
Less: Additional Safeguard per Financial Strategy	(2,000,000)
Forecast Usable Working Balances C/Fwd (as at 30 September 2015)	2,442,980

Table 3: Effect on General Fund Balances

2.10.2. 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.

	Balance 01/04/2015 £'000	Actual Exp £'000	Actual Income £'000	Forecast Balance 31/03/2016 £'000
Specific Reserves:				
Spend to Save Reserve	277	(35)	33	275
Corporate Priorities Reserve	168	(17)	--	151
Building Improvement Reserve	176	(176)	--	--
Repairs and Renewals Reserve	215	(108)	100	207
Planning Policy Reserve	214	(140)	100	174
Gravesham CAN	132	(132)	--	--
Leisure Centre Maintenance Reserve	336	(403)	320	253
Decrim Reserve	3	--	24	27
Town Pier Pontoon Maintenance	90	(18)	15	87
Local Authority Mortgage Scheme	100	--	--	100
Elections Reserve	90	(120)	30	--
Insurance Excess - Vehicles	6	--	--	6
DSO Provision for 3rd Party	10	--	--	10
IT Infrastructure Reserve	208	(170)	75	113
DSO Vehicle Replacement Fund	269	--	--	269
NDR Collection Fund Equalisation	500	--	--	500
Total	2,794	(1,319)	697	2,172

Table 4: Analysis of Specific Reserves

2.11. Medium Term Financial Plan

- 2.11.1. The Medium Term Financial Plan (MTFP) is reviewed on an ongoing basis in order to take into account longer-term assumptions around inflation rates, central government grants and energy prices, together with building in all known variances to the Council's budget as a result of Management Team and Cabinet decisions. The latest version of the Medium Term Financial Plan is attached to this report at Appendix Two.
- 2.11.2. As reported in the first budget monitoring report of the year, the council has revised its assumptions around council tax inflation, with this now being forecast at 2% pa rather than 3% as per former versions.
- 2.11.3. The Budget 2015 set out the need for Government to find £37bn cuts to public service spending by 2019-20, with £17bn of those savings identified within the Budget announcement. The implications for local government were not stated at this time, though the Budget announcements suggested that the expected local government funding reductions will be phased over three years rather than two years (2016-17 to 2018-19). The Chancellor also announced that 'no year will see cuts as deep as those experienced in 2011-12 and 2012-13.'
- 2.11.4. Shortly following the Budget, the Chancellor launched the Spending Review with a call for £20bn cuts to Whitehall budgets by 2019-20. The Government has ring-fenced the NHS, International Development, Defence and parts of Education, meaning departments such as Communities and Local Government are expected to face significant cuts. Each unprotected department has been asked to come up with savings plans of 25% and 40% of their budgets.
- 2.11.5. On 5th October the Chancellor announced a series of major reforms to local government finance, including that local government will be able to retain 100% of local taxes, including business rates, and that the core grant from Whitehall will be phased out, with local government taking on new responsibilities.
- 2.11.6. The Budget 2015 and the subsequent announcements do not yet provide sufficient detail to model the implications for the MTFP. It is envisaged that further details will be announced in the Autumn Statement in November 2015 and Finance will be able to incorporate the latest information into the MTFP.

3. GENERAL FUND CAPITAL PROGRAMME

3.1. The approved General Fund Capital Programme for 2015-16 is largely a continuation of the schemes approved in 2014-15 and previous years. New schemes for 2015-16 are the refurbishment of the Market as approved by Cabinet and a Local Enterprise Partnership funded scheme to improve access to the ferry service.

Scheme	2015-16 Actual Expenditure Qtr 2	2015-16 Original Budget inc C/Fwd	2015-16 New Schemes	Variance
Sports Pitches	-	300,000	-	300,000
Cemeteries - Improvement Works	-	22,850	-	22,850
Parrock St. Car Park - Toilet Block (Residual Costs)	-	71,770	-	71,770
Refurbish Public Conveniences - Windmill Hill	-	12,650	-	12,650
Great Expectations Schemes	-	4,440	-	4,440
Neighbourhood Development Forum	-	40,000	-	40,000
Civic Building Enhancements	-	206,250	-	206,250
CHP installation at Cascades	-	27,280	-	27,280
New Income System Finance	-	30,000	-	30,000
Decrim hardware/ Software replacement	-	15,010	-	15,010
Refuse Scheme Vehicles(100% grant funded)	79,590	100,000	-	20,410
Parrock Street - repurchase of former conveniences	39,800	80,000	-	40,200
Cygnets LC - Gym Equipment	255,995	240,000	-	-15,995
Rosherville Rec Footpath	3,810	-	-	-3,810
Refurbishment of Market	11,750	-	1,299,580	1,287,830
Gravesend Ferry Access (LEP funded)	1,720	-	50,000	48,280
Customer contact platform	-	-	34,900	34,900
	392,665	1,150,250	1,384,480	2,142,065

Table 5: General Fund Capital Programme 2015-16

4. HOUSING REVENUE ACCOUNT

4.1. Budget 2015-16

- 4.1.1. The Original Budget for the Housing Revenue Account (HRA) for 2015-16 set the intention for anticipated expenditure to equal income achieved in the year. The table below sets out the current assessment of performance against the Original Budget for the HRA, based on known variances to 30 September 2015.

Description	Forecast Outturn 2015-16	Original Budget 2015-16	Variance
	£	£	£
Supervision & Management	5,061,920	5,318,850	(256,930)
Repairs & Maintenance	7,936,420	7,951,420	(15,000)
Depreciation	4,975,880	4,975,880	0
Supporting People Fund	184,790	184,790	0
Capital Financing	7,701,400	7,701,400	0
Sub Total (Expenditure)	25,860,410	26,132,340	(271,930)
Rents & Service Charges	(27,013,400)	(26,959,000)	(54,400)
General Fund Contribution	(7,600)	(7,600)	0
Other Income	(922,840)	(922,840)	0
Sub-Total (Income)	(27,943,840)	(27,889,440)	(54,400)
Transfers to Reserve	2,083,430	1,757,100	326,330
Total	0	0	0

Table 6: Housing Revenue Account Projected Outturn 2015-16

4.2. Reported Variances

- 4.2.1. **Salaries (favourable variance)** - proactive management of vacancies has resulted in £251,930 savings in staffing costs for the year to date.
- 4.2.2. **Rents of dwellings (favourable variance)** - The bad debt provision for rents has been recalculated to reflect the decrease in rent arrears resulting in a variance of £68,000.
- 4.2.3. **Mediation in North Kent (favourable variance)** – use of the mediation service has not been needed in the last six months, resulting in a £5,000 saving.
- 4.2.4. **Homeless Stock Works (favourable variance)** - due to a reduction in the number of homelessness, savings of £15,000 in the stock works have been recorded. The Service Charge income from the homeless using our stock has also decreased by £13,600 resulting in a net variance of £1,400.

4.3. Other Variances and Risks not reflected in the Current Budget

4.3.1. The Budget 2015 saw the Chancellor propose the introduction of a new Welfare Reform and Work Bill (HC Bill 51) which has implications for the calculation of social housing rents and for management of housing assets. The Bill is currently going through parliament, being at the committee stage at the time of preparing this report. Up to this point, there has been no consultation on the bill with Registered Social Landlords (RSLs) or Local Authorities.

4.3.2. **Reduction in social Housing Rents**

The Budget set out the intention to cut rent payments for social housing by 1 per cent for each of the next four years (i.e. 2016-17 to 2019-20). The implications of this announcement are currently being evaluated.

4.3.3. **Pay to Stay**

The Budget also set the intention for those on higher incomes (over £40,000 in London and £30,000 elsewhere) to be charged between 80% to 100% market rent. Whilst local authorities will be responsible for collecting the additional revenue, this will be paid over to the Treasury. RSLs will be able to retain the additional revenue generated for investment in building new social housing.

4.3.4. **Sale of High Value Voids**

Detail about this policy has not been released, though it is understood that RSLs will be required to allow Right To Buy Sales at discounts of between 35 – 70% (with an upper limit of £104,000 in London and £78,000 elsewhere).

To compensate them, and maintain the level of social/affordable housing stock, RSLs will require sufficient funds from government to replace the properties they have sold, presumably through new build or purchase. To generate the funds to compensate RSLs, it is understood that central government will require Local Authorities to sell “high value” HRA properties as they become vacant at full market price. The funds generated will be used in the first instance by the Local Authority to replace the property that has been sold with a property of lower value, with the remaining sale proceeds passed to government, who will then pass this to RSLs.

Given the significance of these announcements on the sustainability of the HRA Business Plan, an officer working group has been established to assess the likely financial impacts and to identify the options available to bridge the resultant funding gap within the HRA Business Plan.

4.4. Working Balances and Reserves

- 4.4.1. The variances against the Original Budget within Sections 3.1 have the following effect upon the Housing Revenue Account working balances:

Working Balances	HRA
	£
Balance Brought Forward from 2014-15	(3,000,000)
Variances identified	0
Forecast working balances C/Fwd (as at 30 Sept 2015) including Minimum HRA Working Balance	(3,000,000)
Less Minimum HRA Balance	(3,000,000)
Forecast working balances C/Fwd (as at 30 Sept 2015)	0

Table 7: Effect on Housing Revenue Account Working Balances

- 4.4.2. 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.

Specific Reserves	Balance 1 Apr 15	Forecast Expenditure	Forecast Income	Forecast Balance 31 Mar 16
	£000	£000	£000	£000
New Build Reserve	(532)	532		0
HRA Debt Repayment Reserve	(669)		(2,083)	(2,752)
Total	(1,201)	532	(2,083)	(2,752)

Table 8: Analysis of Specific Reserves - HRA

4.5. HRA Business Plan

- 4.5.1. The HRA Business Plan is reviewed on an ongoing basis in order to take into account longer-term assumptions around inflation rates, central government grants and energy prices, together with building in all known variances to the budget as a result of Management Team and Cabinet decisions. The current HRA Business Plan is attached to the report at appendix three for Member information.

5. HOUSING CAPITAL PROGRAMME

- 5.1. The Housing Capital programme for 2015-16 totals £11,072,130 of which £971,550 relates to non-HRA capital schemes and £10,100,580 relates to HRA capital schemes. The HRA capital schemes focus on the minimum Decent Homes Standard for the Council's stock, with £5,421,790 earmarked for this purpose in 2015-16. The council has also made a commitment to build new homes, with £1,952,640 allocated for this purpose in 2015-16.

HOUSING CAPITAL PROGRAMME				
INVESTMENT PLANS				
REF No	PROJECT	Total expenditure to date	Working Budget 2015-16	Current Variance (Under) / Over
A	Decent Homes	1,597,720	5,421,790	(3,824,070)
B	Health & Safety	285,850	1,334,550	(1,048,700)
C	Minor / Other Works	106,960	632,280	(525,320)
D	Housing Computer System	-	23,670	(23,670)
E	New Build	900,040	1,952,640	(1,052,600)
F	PV Panels	380	735,650	(735,274)
	Sub-Total (HRA Capital Programme)	2,890,940	10,100,580	(7,209,640)
G	Disabled Facilities Grant	249,560	955,550	(705,990)
H	Southfield Shaw Capital Works	-	16,000	(16,000)
	Total (HRA & GF Capital Programme)	3,140,510	11,072,130	(7,915,620)

Table 9: Housing Capital Programme 2015-16

- 5.2. All the capital projects planned for the year have commenced and the works have been allocated according to the budgets.
- Under the Decent Homes budget the following works have already been completed:
 - Windows and Doors Replacements works to 112 properties have started in June
 - Fifteen kitchen replacements have been completed to date and a further 44 are planned.
 - Roof Replacements-five blocks have been completed and another 15 properties are planned.
 - 329 new central heating systems have been installed with another 150 planned to be replaced. Storage heating systems at Gravesham & Homemead have been completed
 - 21 Ventilation units have been completed and four more are planned
 - Fire precaution works- 7 blocks are completed and 2 in progress
 - Wallis Park is undergoing structural works and communal improvements. A budget of £126,500 has been allocated for it.
 - Two blocks at Ifield Way are undergoing insulation/structural works with £130,000 budget allocated for it.

- In addition, major subsidence work at one property has been completed (36 Hawthorn Close) and another void property renovation is in progress with £150,000 budget allocated.
- Under Health And Safety works budget the following works have been completed:
 - Electrical works-312 Visual electrical tests, 73 consumer unit upgrades and 71 various other electrical operations have been done. The budget allocated is £227,000.
 - 15 Tank replacements have been completed and 25 are in progress with a budget allocated of £45,000.
- Under Minor/Other works budget the following works have been completed:
 - Disabled adaptations- 18 properties have had level access showers installed and two properties have had stair lifts installed. A further 57 showers and six lifts are planned to be installed.

5.3. The authority has signed an agreement with Department for Communities & Local Government (DCLG) to retain part of the Right To Buy (RTB) receipts and use them as part-funding of new build &/ or acquisition of additional social housing. At present, there are three new build schemes in the pipeline: St Gregory's (twelve units), Alanbrooke (five units) and Greenhill (two units). The work for St Gregory's and Greenhill has already started in 2014-15.

	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
2012-13	£	£	£	£	
Q1	0	0	0	0	
Q2	179,970	419,920	599,890	599,890	30-Sep-15
Q3	178,400	416,260	594,660	1,194,540	31-Dec-15
Q4	191,020	445,720	636,740	1,831,280	31-Mar-16
2013-14					
Q1	232,960	543,570	776,530	2,607,810	30-Jun-16
Q2	339,800	792,870	1,132,670	3,740,490	30-Sep-16
Q3	125,430	292,660	418,090	4,158,580	31-Dec-16
Q4	270,950	632,220	903,180	5,061,760	31-Mar-17
2014-15					
Q1	174,950	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	865,780	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
Total	3,454,590	8,060,710	11,515,300		

Table 10: New Build

- 5.4. For 2015-16, the council has a budget of £955k for Disabled Facilities Grants. To date approximately 16% of the budget has been spent, with 10.3% committed (works approved but awaiting completion). The actual budget for 2015-16 is £590,000 plus £365,550 slippage from last financial year. An audit has been performed on the council's DFG process and found no evidence that the residents are experiencing delays caused by the council staff/processes. The conclusion was that money was being spent, timescales for council's responsibilities were being met and the slippage appeared between the time the council carries out the formal tests and the time taken by the residents seeking at least two quotations for the work and instructing the company to carry out the works.
- 5.5. Southfield Shaw capital works - A report was presented to the Management Team regarding the renewal of the main water service to Southfield Shaw. This work is imperative to comply with Fire regulations and Health & Safety rules. The work will spread over three years and has already started with £16,000 allocated for this financial year. The capital budget will be financed from capital receipts for 2015-16 financial year.

6. TREASURY MANAGEMENT

6.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, which sets out the principles and guidelines to be followed in borrowing and investment operations undertaken by Local Authorities. On 24 February 2015, Full Council approved the Treasury Management Strategy Statement for 2015-16, based on the Code. The authority's Annual Investment Strategy, which is incorporated in the TMSS, outlines the authority's investment priorities as being:

- Security of Capital
- Liquidity

6.2. An update on Treasury Management performance is provided to Members through budget monitoring reports, with more detailed reporting of treasury management activity to the Finance & Audit Committee every six months.

6.3. A full list of investments held by the Council as at 30 September 2015 can be seen below:

Investments	Investments £000	Interest Rate	Date of Repayment
<u>Banks/Building Societies</u>			
Lloyds	1,000	1.00%	14/10/15
Lloyds	1,000	1.00%	15/10/15
Barclays	2,000	0.65%	22/10/15
Standard Chartered C.D.	2,000	0.69%	13/11/15
Barclays	1,000	0.63%	27/11/15
Nordea Bank C.D.	1,000	0.62%	03/12/15
Nationwide B.S.	2,000	0.60%	22/12/15
Nationwide B.S.	1,000	0.66%	08/01/16
Lloyds	2,000	0.70%	15/01/16
Barclays	1,000	0.69%	28/01/16
Standard Chartered C.D.	2,000	0.70%	05/02/16
Standard Chartered C.D.	1,000	0.70%	19/02/16
Barclays	1,000	0.68%	26/02/16
Credit Suisse C.D.	3,000	0.69%	24/03/16
Royal Bank of Scotland C.D.	4,000	0.88%	13/04/16
Royal Bank of Scotland C.D.	1,000	0.92%	01/07/16
<u>Money Market Funds</u>			
AIM Invesco Global	2,000	0.41%	On call
Goldman Sachs	4,240	0.43%	On call
Standard Life (Ignis) SLF	4,120	0.44%	On call
<u>Total Investments</u>	£36,360		

Table 11: Investments as at 30 September 2015

6.4. Key economic developments within this reporting period:

- UK GDP growth rates in 2013 (2.2%) and 2014 (2.9%) were the strongest growth rates of any G7 country and projections for 2015 growth rate currently indicate that the UK is likely to have a leading rate in the G7 again, perhaps equal to that of the US.
- The Bank of England's August Inflation Report included a forecast for the UK growth rate to remain in the region of 2.4% - 2.8% per annum over the next three years, driven mainly by strong consumer demand. World economic statistics and both UK consumer and business confidence have however distinctly weakened since this time and cuts in these forecasts may well be reflected in the next Bank of England Inflation Report (due November 2015).
- The Bank of England's August Inflation Report forecast that inflation might not get back to its 2% target within the next 2-3 years. With the price of oil not being expected to recover and Iran expected to soon re-join the world oil market (after the lifting of sanctions), there could be several more months of low inflation to come, particularly as world commodity prices have generally been depressed by the recent Chinese economic downturn.
- Such conditions will make it more difficult for the central banks of both the UK and the US to raise interest rates as soon as had been projected. Indeed the forecast for the first increase in the UK Bank Rate has been progressively pushed back during 2015 from Q4 2015 to Q2 2016 with any subsequent increases being at a much slower pace and to much lower levels than prevailed pre-2008.
- The Government's revised Budget in July eased the pace of cutbacks from achieving a budget surplus in 2018/19 to achieving that in 2019/20.
- Greece finally agreed to EU demands for a major programme of austerity in July 2015 with an 86 billion Euro bailout package agreed. Doubts remain however that the size of cuts and degree of reforms required can be fully implemented and a Greek exit from the Euro may only have been delayed by the latest bailout.

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 included within the body of the report.		
Risk Assessment	Budgetary control is an essential element of effective financial management. The purpose of this monitoring report is to mitigate financial risks to the authority by identifying variances and risks to delivering council services within approved budget amounts, enabling Members and officers to take effective decisions about any corrective action required.		
Equality Impact Assessment	Screening for Equality Impacts		
	Question	Answer	Explanation
	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?	Yes	Any actions arising from this Budget Monitoring report will be screened for equality impacts.
	b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	As above.
	c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		N/A
<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>			
Corporate Business Plan	This report supports the council in achievement of Strategic Objective 5 - Managing the Council's Business Effectively.		
Crime and Disorder	The Crime and Disorder budget is within the General Fund and Housing Revenue Account Budgets and any significant variance has been included within the report.		