

**Classification: Public**

**Key Decision: No**

## **Gravesham Borough Council**

**Report to:** Cabinet  
Finance & Audit Committee

**Date:** 5 September 2016  
13 September 2016

**Reporting officer:** Assistant Director (Corporate Services)

**Subject:** Budget Monitoring Report 2016/17 – Quarter One

### **Purpose and summary of report:**

To provide Members with information on actual performance against the approved Revenue and Capital budgets for 2016/17, 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:**

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 therefore provides an assessment of performance against approved budgets for the 2016/17 financial year for the three-month period to 30 June 2016 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 2016/17

2.1.1. The approved Original Budget Requirement for 2016/17 is £14,653,730, funded by Central Government Grant, retained Non-Domestic Rates, Council Tax and use of £2,518,150 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 June 2016.

Area	Original Budget 2016/17 (£)	Forecast 2016/17 (£)	Variation (£)
Chief Executive	1,485,250	1,485,250	0
Communities	4,230,760	4,044,290	(186,470)
Corporate Services	1,510,620	1,446,260	(64,360)
Environment & Operations	3,365,920	3,374,810	8,890
Housing & Regeneration	2,682,380	2,682,380	0
Items Carried Forward from 2015-16		100,180	100,180
Interest and Investment Income	(742,500)	(445,500)	297,000
Transfers to/ (from) reserves	740,880	763,280	22,400
Transfers to/ (from) balances	1,848,130	1,845,950	(2,180)
Transactions below the line	(467,710)	(467,710)	0
<b>BUDGET REQUIREMENT</b>	<b>14,653,730</b>	<b>14,829,190</b>	<b>175,460</b>
Business Rate Income	(2,727,390)	(2,729,570)	(2,180)
Government Grant Funding	(1,230,550)	(1,230,550)	0
New Homes Bonus	(1,848,130)	(1,845,950)	2,180
Council Tax Income	(6,050,160)	(6,050,160)	0
Parish Precepts	(279,350)	(279,350)	0
Transfers to/(from) the Council Tax Collection Fund	0	(101,150)	(101,150)
Transfers to/(from) the NNDR Collection Fund	0	0	0
Use of Working Balances	(2,518,150)	(2,518,150)	0
<b>BUDGET SHORTFALL/(UNDERSPEND)</b>	<b>0</b>	<b>74,310</b>	<b>74,310</b>

Table 1: General Fund Revenue Assessment of Performance to date 2016/17: by Directorate

### 2.2. Reported Variances – Chief Executive Directorate

2.2.1. There are no significant variances to report.

### 2.3. Reported Variances – Communities Directorate

- 2.3.1. **Acquisition of Network House (favourable variance)** – the council has set aside £10m of its cash balances to acquire commercial property that will deliver an ongoing revenue income stream. In May the council acquired its first commercial property, Network House in Gillingham, which will provide a rental income stream of £183,730 in 2016/17 and £221,570 in future years.
- 2.3.2. **Borough Market (neutral variance)** – as part of the project the council has received revenue funding of £24,220 from the Coastal Communities Fund to support the refurbishment of the Market.
- 2.3.3. **Base Camp KENT (neutral variance)** – working with Medway Council, Shepway District Council and Royal British Legion Industries, the council has been successful in securing £17,780 from the Ministry of Defence to fund a project to increase understanding of the challenges facing the armed forces community, raise awareness and increase contact with service providers.
- 2.3.4. **Other Minor Variances (favourable variance)** – a number of minor variances have been reported within the Communities Directorate; the net effect of these variances is £2,740.

### 2.4. Reported Variances – Corporate Services Directorate

- 2.4.1. **Localised Support for Council Tax Administration Subsidy (favourable variance)** – additional funding of £11,000 has been made available by the Department for Communities and Local Government to support the costs of administering the Localised Support for Council Tax Scheme in the year.
- 2.4.2. **NDR Deferrals Scheme (favourable variance)** – in 2012/13 business were allowed to defer 3.2% of their bills, with 50% of the deferred amount to be paid in 2013/14 and 50% in 2014/15. This amounted to £123,430 and was held pending payment from businesses to be reimbursed to CLG in future years. However, with the introduction of the business rate retention scheme in 2013/14, new regulations did not permit this to be shared between participants until 2016/17. The share now due to GBC is £49,370.
- 2.4.3. **New Burdens Funding – welfare reform (neutral variance)** – the council has received £22,170 to meet the costs of implementing welfare reform changes in 2016/17.
- 2.4.4. **Other Minor Variances (adverse variance)** – a number of minor variances have been reported within the Corporate Directorate; the net effect of these variances is £18,410.

### 2.5. Reported Variances – Environment & Operations Directorate

- 2.5.1. **Other Minor Variances (adverse variance)** – a number of minor variances have been reported within the Environment & Operations Directorate; the net effect of these variances is £8,890.

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

2.6.1. There are no significant variances to report.

## 2.7. Items Carried Forward from 2015/16

2.7.1. The following carried forward items from 2015/16 to 2016/17 were approved by the authority's Section 151 Officer, the Director (Corporate Services) and the Council's Management Team:

<u>Directorate</u>	<u>Service</u>	<u>Amount</u>	<u>Reason for underspend in 2015/16</u>	<u>Reason for carry-forward request into 2016/17</u>
Communities	Sports Development	£9,170	This budget has been set aside to fund an updated Leisure Facilities and Open Space Study. However, due to delays in the report being signed off by external agencies at the appropriate stages of completion, the final staged payment has not yet taken place.	The unspent budget from 2015/16 will be used to cover the final payment installment as well as anticipated additional costs for one-off presentations to Management Team and councillors by the consultants KKP.
Communities	Gravesham Youth Council	£7,450	Funding has previously been set aside from the Younger Person's Fund in order to contribute to Gravesham Youth Council to deliver larger scale community projects on behalf of GBC. This is the remaining balance of funding available and has been set aside for the summer 2016 Youth Camp event in association with Neumunster - Gravesham's twin town in Germany.	Plans for delivering the Youth Camp event scheduled for August 2016 are already underway. There are no other dedicated funds to finance this activity in 2016/17, hence the carry-forward request from the 2015/16 underspend.
Communities	Pollution Control	£3,150	These funds have been earmarked re Air Quality Management - carrying out a detailed assessment in the one-way system around Windmill Street, Woodville Place & Wrotham Road. Gathering of robust data takes several months to gather, and although this has happened, it has yet to be ratified by an independent consultant prior to inclusion in the final air quality report.	The work as described, is well underway and receipt of a draft report is expected shortly. The carry-forward request is required to cover the final piece of this project, and thus prevent the available budget of desired air quality work carried out during 2016/17.
Communities	Pollution Control	£1,420	An order has been placed in 2015/16 to assess and progress a Crematoria Environmental Permit application. Although the statutory fee has already been received from the applicant, works were not complete as at 31.03.2016 and therefore no consultancy payment was made during 2015/16.	The consultant has a statutory period of 3 months to deliver the permit application work, and therefore completion is expected shortly. Funds are therefore required to be carried forward into 2016/17 to enable this payment.
Communities	Community Engagement	£12,030	Younger Person's Fund - funds have already been earmarked for projects associated with Gravesham Youth Boxing Club and the Riverview Park eco/sensory garden. Due to delays in clarifying final details, the funds have not been spent as at 31.03.2016.	The initiatives described have already been developed, and Councillor support has been given in principle. Therefore the funds are requested to be carried-forward into 2016/17 to facilitate payment for these projects.
Communities	Community Engagement	£10,330	Older Person's Fund - funds have already been earmarked for the Alzheimer & Dementia Support group, but due to final delays, the payment has not been made in 2015/16.	Funding has already been agreed in principle, and therefore funds are required to be carried-over into 2016/17 to facilitate the contribution.
Communities	Gravesham CAN Community Grants	£5,000	£3k re professional services associated with the Northfleet Harbour Project and £2k re outstanding grant payment to Milton Parish Church. Both initiatives agreed in 2015/16, but funds not spent as at 31.03.2016	Funding has already been agreed in principle, and therefore funds are required to be carried-over into 2016/17 to facilitate each item.
Communities	Members' Grants	£2,390	Member Grants - funds have already been earmarked for various projects, but due to final delays, the payment has not been made in 2015/16.	Funding has already been agreed in principle, and therefore funds are required to be carried-over into 2016/17 to facilitate the contributions.
Communities	Heritage Centre	£260	This budget funds an SLA with the New Tavern Fort Project volunteer group who operate Heritage Properties on GBC's behalf. Due to a delay in requesting items for funding to GBC, there is an underspend of £260.	Since year-end, the group has requested new t-shirts and other miscellaneous items for the ongoing running of Chantry Heritage Centre in 2016/17. The carry-forward is requested in order to maximise the 2015/16 budget and retain 2016/17 funds for other expenditure.

<u>Directorate</u>	<u>Service</u>	<u>Amount</u>	<u>Reason for underspend in 2015/16</u>	<u>Reason for carry-forward request into 2016/17</u>
Communities	Health & Safety	£10,000	£10k has been received from KCC to fund various activities associated with the Kent Healthy Business Awards initiative. This includes projects such as "Improving economic performance through people and environment" and developing self-assessment standards that can help improve the workforce's health.	The budget has already been earmarked for contributing towards Kent Healthy Business breakfast events as well as part-financing the work of a Community Health Networker. No other funds exist in 2016/17 for these activities, and therefore a carry-forward request of the unspent £10k income received in 2015/16 is being made.
Communities	High Street Innovator Fund	£1,760	This Fund has all been directed towards the development of the Market Refurbishment and has helped the council access £1.8m of funding to date. This is what remains to be spent.	Available funds, previously committed to the Market refurbishment are requested to be carried forwards to assist with the delivery of the project in 2016/17.
Communities	Town Centre Initiative	£9,670	This expenditure relates to window vinyls and displays/photo trail in support of museum development activity. This project is still in development and Members are aware and happy in respect of timings for implementation.	The project is already in its development phase and will be implemented in 2016/17. Therefore the funding is required, as there will be insufficient funding from 2016/17 budgets alone.
Communities	Individual Elector Registration	£15,180	Grants are received from the Cabinet Office to implement Individual Elector Registration work. Due to the timing of grant receipt, not all funding has been spent in 2015/16.	Grants are ringfenced for undertaking electoral services functions, and undertakings have been given to the Cabinet Office on this basis. The funds are required in 2016/17 to carry out further IER work.
Communities	Town Pier Pontoon	£3,380	This sum has been allocated to access control monitoring and maintenance of the Town Pier corridor. Although commenced, works were not complete as at 31.03.2016	Funding is from the Local Sustainable Transport Fund (LSTF), and will not be received unless the work is completed. Incomplete work will prevent the access control system being activated, and therefore funds are requested to be carried forward into 2016/17 to finish the project.
Housing & Regeneration	Renovation & Defective	£8,070	Winter Warmth grant funding has been received in 2015/16, but has not been fully spent due to the late award (February 2016).	Under the grant conditions, any unspent monies must be ring-fenced in the 2016/17 budget and continue to be specifically used for programmes as set out. Plans are underway to utilise this funding, and therefore a carry-forward request is being made.
Housing & Regeneration	Planning Policy	£106,400	This budget relates to Local Development Framework (LDF) work associated with producing a portfolio of planning documents setting out details of GBC's local plan. Due to changes in legislation and complexities in the nature of the work, not all aspects were completed by 31.03.2016.	Work is already at an advanced stage for each aspect of the local plan, and therefore funds are required in 2016/17 to complete payment. Please note, as this work is funded from an earmarked reserve, there is no net impact upon GBC's revenue budget - this note is for information purposes only.
Housing & Regeneration	Planning Policy	-£106,400	As above - this is the reserve-funding of the LDF work described above.	As above - no net impact upon GBC's revenue budget, as unspent reserve funds are automatically held into future years unless released.
Housing & Regeneration	Private Housing	£920	Grant income from KCC ringfenced for "Black History Month" project, and although underway, initiative not completed by 31.03.2016	Grant funding is ring-fenced for project as specified. Plans have been underway to utilise the full funding, and therefore a carry-forward request is being made.
<b>Total C/Forward Requests</b>		<b>£100,180</b>		

Table 2: Items Carried Forward from 2015/16

## 2.8. Reported Variances – Interest and Investment Income

- 2.8.1. **Local Authority Mortgage Scheme - LAMS (favourable variance)** – the Council entered into an agreement with Lloyds TSB and Kent County Council in February 2013 to provide assistance to first time buyers residing in the borough. A lump sum was invested with Lloyds TSB in order to finance the scheme, and investment returns for 2015-16 of £23,000 are anticipated, against a budgeted amount of £20,000.
- 2.8.2. **Investment Income (adverse variance)** – generating returns from cash balances continues to be challenging. The council's treasury advisors, Capita, have revised the interest rate forecast downwards twice since the budgeted figure for the year was calculated in February.

The original budget was also based on anticipated returns from placing £10m of investment balances in Property Funds (and assumed a 4% return on investment). Due diligence processes resulted in monies being deposited in the Property Funds between the end of May and start of July. The forecast income from Property Funds will continue to be very closely monitored, especially in the current economic climate, as the property market is likely to be very volatile and difficult to predict.

Taking into account interest earned to date, the daily cash flow balances for the remainder of the year earning 0.25%, interest from LAMS and an assumption that the dividend payable on Property Funds is based on the current NAV, forecast investment income is anticipated to be £448,000, some £300,000 lower than originally budgeted.

## 2.9. Reported Variances – Funding Streams

- 2.9.1. **Council Tax Collection Fund Surplus (favourable variance)** – a surplus was generated on the council tax collection fund for 2015/16, of which the council's share was £101,150.

## 2.10. Other Variances and Risks not reflected in the Current Budget

- 2.10.1. **Vacancy Management** – The council's staffing budget for 2016/17 incorporates a savings target of £350,000 for the year. It is anticipated that this is delivered through effective management of vacant posts and the staffing establishment as a whole. For the first three months to June 2016 the actual vacancy saving achieved was £120,680.
- 2.10.2. **Fees and Charges** – Income received from fees and charges supports the annual budget. Monitoring to the end of June 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.
- 2.10.3. **Borough Market** – as Members will be aware, the Borough Market closed on the 6 June for refurbishment works. Work is currently being undertaken to reflect the effect of the market opening in November 2016, and current forecasts indicate an adverse variance of £20,000 against the revenue budget for the year.

2.10.4. **Council Tax and Council Tax Support Scheme** - the Council has adopted a “common criteria” scheme, consisting of a standard 18.5% reduction of Council Tax Support to those of working age in 2016/17. 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. Periodic monitoring of the council tax base and collection rate is undertaken and this is showing that both are currently performing as anticipated.

2.10.5. **Business Rate Retention Scheme** - periodic monitoring is also 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.

## 2.11. Working Balances and Reserves

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

<b>Working Balances</b>	<b>£</b>
Balance Brought Forward from 2015/16	6,095,120
New Homes Bonus (Straight to working balances)	1,845,950
Establishment of Lower Thames Crossing Reserve	(150,000)
Closure of Gravesham CAN Reserve	41,500
Budgeted use of Working Balances to support the General Fund	(2,518,150)
Variances per budget report (Incl.items Bfwd from 2015/16)	(74,310)
<b>Forecast Working Balances C/Fwd (as at 30 June 2016) including Minimum GF Working Balance</b>	<b>5,240,110</b>
Less: Minimum GF balance	(1,250,000)
Less: Additional General Fund Reserve	(2,000,000)
<b>Forecast Usable Working Balances C/Fwd (as at 30 June 2016)</b>	<b>1,990,110</b>

Table 3: Effect on General Fund Balances



2.11.2. 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 1/4/16 £'000	Forecast Use of Reserve (Expenditure) £'000	Forecast Contributions (Income) £'000	Forecast Balance 31/3/17 £'000
Spend to Save Reserve (Inc.Digital Team)	347	--	28	375
Corporate Priorities Reserve	318	(23)	--	295
Repairs and Renewals Reserve	341	(160)	100	281
Planning Policy Reserve	280	--	100	380
Leisure Centres Reserve	400	(153)	382	629
Decriminalisation Reserve	43	--	25	68
Town Pier Pontoon Reserve	91	--	13	104
Local Authority Mortgage Scheme (LAMS) Reserve	100	--	--	100
Elections Reserve	50	--	30	80
IT Infrastructure Reserve	125	(80)	75	120
DSO Fleet Vehicle Replacement Reserve	393	--	--	393
Waste Freighter Replacement Reserve	116	--	--	116
Business Rates Collection Fund Equalisation Reserve	719	(569)	--	150
NNDR Growth Fund Reserve	155	--	--	155
GBC Match Funding CCF - Borough Market Reserve	40	(40)	--	--
Lower Thames Crossing Reserve	150	--	--	150
Revenue Grants not yet applied	3,154	(63)	5	3,096
<b>Total</b>	<b>6,822</b>	<b>(1,088)</b>	<b>758</b>	<b>6,492</b>

Table 4: Analysis of Specific Reserves

2.11.3. Significant or new approved use of reserves in the first quarter include:

- **Corporate Priorities Reserve** – the Planning Department has 26 years of planning history stored on approximately 68,000 microfiche covering 1974 - 2000. This medium for storing information is out dated and time intensive when retrieving information from them. £22,400 has been provided from the Corporate Priorities Reserve to digitise this information.
- **Business Rates Equalisation Reserve** – as reported to Members as part of the provisional outturn report, business rates income in the borough during 2015/16 was higher than anticipated, primarily due to growth in business rates above the government baseline funding level and the Council being part of the Kent Business Rate Pool. The accounting arrangements of Business Rates results in timing differences between the entries in the Collection Fund and the Council's General Fund. The reserve was increased at the end of 2015/16 to meet payment of sums due to the Pool (totalling £219,000) payable in 2016/17. The reserve will also be used to meet a sum of £350,820 in 2016/17 in respect of the NDR Collection Fund deficit at the end of 2015/16.

## **2.12. Medium Term Financial Planning**

- 2.12.1. 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.
- 2.12.2. The MTFP incorporates the multi-year local government finance settlement offer covering the period 2016-17 to 2019-20. Acceptance of the offer will be debated at Full Council in October ahead of the 14<sup>th</sup> October deadline for acceptance of the offer, with the offer also being considered by the Finance & Audit Committee at its September meeting.
- 2.12.3. Central Government has announced the intention to continue the New Homes Bonus Scheme indefinitely but change the methodology of the scheme from 2017-18 onwards. The MTFP takes account of the proposals from Government to reduce the scheme from six to four years and reform the incentive of the scheme. The outcome of the consultation is expected to be released in the Autumn.
- 2.12.4. Government is also progressing its intention to significantly change the Business Rates Retention Scheme to allow local government (including counties, unitary and district authorities) and Fire & Rescue Services to retain locally-generated business rate revenues to fund local services, though it is understood that there would still be some 'rebalancing' of business rate income generated across the country. The government issued initial consultation on the new scheme in July, with more technical consultation expected later this year.
- 2.12.5. The EU Referendum result in June has created further uncertainty for the future economic climate in which the council operates, and may have an influence on government decisions around the future of local government finance.

### 3. GENERAL FUND CAPITAL PROGRAMME

3.1. The approved General Fund Capital Programme for 2016/17 is largely a continuation of the schemes approved in 2015/16 and previous years. New schemes for 2016/17 are the Property Acquisition Programme and the Clock Tower Restoration Scheme, funded primarily from Heritage Lottery Funding.

Scheme	2016-17 Original Budget inc C/Fwd	2016-17 New Schemes	2016-17 Actual Expenditure Qtr 1	Variance
Sports Pitches	300,000	-	-	300,000
Redevelopment of former Fleet Leisure Site	2,300,000	-	174,920	2,125,080
Market Refurbishment (Grant-funded)	1,584,430	-	93,720	1,490,710
Local Growth Fund Projects (LEP Funded)	17,530	90,000	12,000	95,530
Customer Contact Platform	9,550	-	700	8,850
Young Persons Champion	50,000	-	6,020	43,980
Older Persons Champion	50,000	-	-	50,000
Essential Repairs to Buildings	410,000	-	-	410,000
Gravesend Cemetery Improvements	22,850	-	-	22,850
Parrock St Car Park - Toilet Block (Provision)	71,770	-	-	71,770
Purchase of Vehicles (DSO Fleet)	470,000	-	98,870	371,130
Decrim Account - hardware and software	15,010	-	-	15,010
Refurbishment - Woodlands Park Play Site & Toilets	210,000	-	1,460	208,540
Rosherville Rec. Footpath	-	-	8,720	-8,720
Income System - Finance	41,500	-	20,750	20,750
Property Acquisition Programme	-	10,000,000	3,264,600	6,735,400
Clock Tower Restoration	-	215,400	16,180	199,220
	<b>5,552,640</b>	<b>10,305,400</b>	<b>3,697,940</b>	<b>12,160,100</b>

Table 5: General Fund Capital Programme 2016/17

- 3.1.1. **Redevelopment of former Fleet Leisure Site** – ongoing feasibility work of the existing site continues, including an asbestos removal and soft strip of main buildings. This was undertaken in order to meet the council's landlord responsibilities and to remove any further liabilities during the anticipated refurbishment phase going forward. This work has also enabled full completion of the structural surveys of the buildings on site. An updated report is anticipated to be submitted to Cabinet in September.
- 3.1.2. **Market Refurbishment** – works continue at the site and business support sessions have commenced for those interested in occupying a Stall in the newly refurbished market, scheduled to open in November 2016.
- 3.1.3. **Local Growth Fund Projects (LEP Funded)** – work has continued relating the Gravesend Ferry Access, including the installation of signage, a pedestrian-activated lighting scheme and door access allowing 24-hour secure pedestrian and cycle access to the pontoon. The Council has also secured £90,000 this year to support a Wayfinding Scheme in Gravesend Town Centre.
- 3.1.4. **Customer Contact Platform** – The first phase of project was scheduled to deliver the software into customer services during July 2016 to replace existing systems. The physical implementation of the software and staff training have already been undertaken and the implementation is on schedule. The second phase of implementation will be delivered with the council's new website which is due to be launched in the Autumn and will be fully delivered within the existing capital budget.
- 3.1.5. **Young Persons Champion** – funding was allocated to the Maritime Volunteer Service for a new engine for *Annie*, a 4.8m long rigid inflatable boat. This engine will make the river more accessible for the borough's young people, particularly young people with physical disabilities.

The MVS will utilise this engine to provide Maritime training for young people. *Annie* has since escorted QRB Gloriana in the Queen's birthday flotilla on the Thames and will be used to provide assistance in flooding a relief on the Thames.

- 3.1.6. **Essential Repairs to Buildings** – Tenders to undertake the Civic Centre Façade Concrete repairs have been received and evaluated, with work due to commence in early July.
- 3.1.7. **Decriminalisation** – investigations are underway to replace current handheld units with new mobile technology to increase the opportunities to work more efficiently, reduce errors and improve customer service.
- 3.1.8. **Refurbishment of Woodlands Park** – The play equipment installers are on site, with the new play site expected to be completed and opened to the public in July. A contractor has been appointed to undertake the Toilet Refurbishment, with works to commence in early July.
- 3.1.9. **Income System (Finance)** – the project has commenced with system design, installation and testing taking place over the next few months, followed by parallel running with the Council's current system.
- 3.1.10. **Property Acquisition Programme** – the Council acquired its first asset (Network House) under its Property Acquisitions Strategy in May. Work continues to identify other suitable opportunities for consideration by the Property Acquisitions Cross Party Working Group.
- 3.1.11. **Clock Tower Restoration** – works commenced in June 2016 to clean and restore the Grade II listed clock tower and clock with the scheme including installation of an architectural lighting scheme and a community engagement programme for the duration of the works.

## 4. HOUSING REVENUE ACCOUNT

### 4.1. Budget 2016-17

4.1.1. The table below sets out the current assessment of performance against the Original Budget for the Housing Revenue Account (HRA), based on known variances to 30 June 2016. The net total of the variances identified as at the end of the first quarter is an underspend of £265,350.

Description	Original Budget 2016/17	Forecast Out-turn 2016/17	Variance
Supervision & Management	5,999,230	5,889,270	(109,960)
Repairs & Maintenance	7,948,300	7,948,300	0
Depreciation	5,765,070	5,765,070	0
Capital Financing	7,752,600	7,752,600	0
<b>Sub Total (Expenditure)</b>	<b>27,465,200</b>	<b>27,355,240</b>	<b>(109,960)</b>
Dwelling Rents	(25,681,000)	(25,747,000)	(66,000)
Charges for services & Facilities	(1,571,600)	(1,571,600)	0
Non Dwelling Rents	(709,950)	(709,950)	0
Other income	(48,900)	(48,900)	0
Contribution towards expenditure	(266,820)	(356,210)	(89,390)
<b>Sub Total (Income)</b>	<b>(28,278,270)</b>	<b>(28,433,660)</b>	<b>(155,390)</b>
Transfers to/from reserves	813,070	1,078,420	265,350
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

Table 6: Housing Revenue Account Projected Outturn 2016/17

### 4.2. Reported Variances

4.2.1. **Vacancy Management (favourable variance)** – the staffing budget for 2016/17 incorporates a savings target of £100,000 for the year, which is a new item in the business plan. It is anticipated that this is delivered through effective management of vacant posts and the staffing establishment as a whole. For the first three months to June 2016 the actual vacancy saving achieved was £121,460.

4.2.2. **PV Panels Insurance (adverse variance)** – following a review of the Council's insurance provision it was agreed that instead of insuring the PV panels, a provision of £11,500 equal to half of the insurance premium would be set aside on an annual basis to cover costs resulting from vandalism, fire, theft and accidental damage. This is due to very low claims history since their installation.

4.2.3. **Rental income (favourable variance)** – there are three elements that have increased the forecast rental income by £66,000:

- New build properties are let at local housing allowance instead of social rent
- Properties are re-let at formula rent instead of actual rent
- The void loss from properties is less than profiled

- 4.2.4. **Grants from Kent Fire Brigade** – Two grants from KFRS have been received totalling £89,390 to help with the costs of installing a sprinkler at Carl Ekman House.

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

- 4.3.1. **Pay to Stay** - The Government announced a Pay to Stay Policy that would see tenants who earn over the £30k (£40k in London) being charged 80% to 100% of market rent for Council properties from April 2017. The Department for Communities and Local Government (DCLG) was expected to issue scheme regulations in July 2016, however following recent Government changes, the regulations are now expected to be issued in September. This could result in delays in the implementation of the scheme. Officers have recently attended DCLG roadshows and will provide updates to Management Team and Members as further details of the scheme are confirmed.
- 4.3.2. **Sale of High Value Voids** – Recent Government changes have also resulted in a delay to the publication of regulations relating to the sale of high value void properties policy. Initially the Government had intended the scheme to be implemented at the start of the next financial year; officers will continue to monitor the situation and will advise whether the policy is likely to be enacted for 1 April 2017 or from 1 April 2018.

#### 4.4. Working Balances and Reserves

- 4.4.1. The variances against the Original Budget within Sections 4.2 have the following effect upon the Housing Revenue Account working balances:

Working Balances	£
Balance Brought Forward from 2015/16	(3,000,000)
Variances identified	(265,350)
Forecast working balances C/Fwd (as at 30 June 2016) including Minimum HRA Working Balance	(3,265,350)
Less Minimum HRA Balance	(3,000,000)
Forecast working balances C/Fwd (as at 30 June 2016)	(265,350)

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.

HRA Specific Reserves	Opening Balance 1/4/16 £'000	Forecast Use of Reserve (Expenditure) £'000	Forecast Contributions (Income) £'000	Forecast Balance 31/3/17 £'000
HRA Debt Repayment Reserve	(2,778)	0	(1,078)	(3,856)
RTB Retained Receipts for Debt Repayment	(2,543)	2,651	(550)	(442)
<b>Total</b>	<b>(5,321)</b>	<b>2,651</b>	<b>(1,628)</b>	<b>(4,298)</b>

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 2016/17 (including Carried forward items) totals £10,504,570 of which £732,000 relates to non-HRA capital schemes and £9,772,570 relates to HRA capital schemes. The HRA capital schemes continue to focus on the minimum Decent Homes Standard for the Council's stock, with £4,827,830 earmarked for this purpose in 2016/17. The council also continues its commitment to build new homes, with £3,020,200 allocated for this purpose in the year.

REF No	PROJECT	Working Budget 2016-17 (£)	2016/17 Actual expenditure Q1 (£)	Variance (£)
A	Decent Homes	5,042,100	903,170	(3,508,930)
B	Health & Safety	1,519,530	315,670	(1,184,930)
C	Minor / Other Works	661,540	121,300	(540,240)
D	Housing Computer System	33,670	-	(33,670)
E	New Build	3,124,230	681,220	(2,443,010)
F	PV Panels	444,370	-	(444,370)
	<b>Sub-Total (HRA Capital Programme)</b>	<b>10,825,440</b>	<b>2,021,370</b>	<b>(8,155,140)</b>
G	Disabled Facilities Grant	1,154,230	214,460	(939,770)
H	Southfield Shaw Capital Works	52,000	-	(52,000)
I	Op Services Scheduling System	90,000	-	(90,000)
	<b>Total (HRA &amp; GF Capital Programme)</b>	<b>12,121,670</b>	<b>2,235,830</b>	<b>(9,236,910)</b>

Table 9: Housing Capital Programme 2016/17

- 5.2. Several contracts ended on 31 March 2016 and were re-tendered with new contractors being appointed in accordance with the framework. This resulted in works being slight delayed at the start of 2016/17. However, by the end of the quarter all capital projects planned for the year had commenced and works have been allocated according to the budgets available.

- Decent Homes (Ref A) - the following works have already been completed:
  - Five kitchens replacements have been completed with another 66 in progress
  - One major void requiring complete renovation was completed
  - 90 properties are scheduled to have windows and doors replacements
  - 58 properties are scheduled to have roof replacements

- Health And Safety (Ref B) - the following works have been completed:
  - Energy Efficiency-131 central heating systems were installed and another 250 are in progress
  - Electrical works- 525 jobs are scheduled for this year
- Minor/Other Works (Ref C) - the following works have been completed:
  - Disabled Adaptations- 14 properties had shower/ramps installed and another 57 are in progress
  - Four lifts were installed and another nine are planned

5.3. The authority has signed an agreement with the 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 (Ref E). At present, two of the new build scheme are finished St Gregory's (twelve units) and Greenhill (two units), with another three schemes in the pipeline: Alanbrooke (five units), Tooley Street (two units) and Farlow Close (five units). The Council has also bought three properties from the open market and intends to buy three more in the next quarter as a means of using the receipts as required.

	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
<b>2013-14</b>					
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
<b>2014-15</b>					
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
<b>2015-16</b>					
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
<b>2016-17</b>					
Q1	697,650	1,627,850	2,325,500	18,753,360	30-Jun-19
<b>Total</b>	<b>5,626,010</b>	<b>13,127,340</b>	<b>18,753,360</b>		

Table 10: New Build



- 5.4. Members should note that the council is allowed to keep part of the RTB receipts to repay the debt incurred in 2012 as part of HRA self-financing, however, there are no restrictions on the use of this money. As at 1 April 2016, the balance on the RTB reserve fund stood at £2,542,730 representing the cumulative total of these funds in line with the re-profiling of the HRA loans repayment profile at the start of 2016-17 from 14 years to 34 years. These funds have now been transferred into the New Build Reserve to assist with meeting the Council's obligation to use retained RTB monies for new build purposes.
- 5.5. Disabled Facility Grants (Ref G) – There is an unprecedented budget for DFG's of £1,149,280 for 2016/17 due to an increase in the grant from the DCLG and the underspend carried over from last financial year. At current spend levels, the department is currently heading for a further underspend this year, mainly due to the on-going lack of referrals being sent by KCC Occupational Therapists (OT) team. This problem has been ongoing over the last couple of years and with KCC's present staffing position, means that it is unlikely that all funds will be utilised by the end of the financial year.
- 5.6. In order to address this problem, an agreement has been reached with KCC whereby KCC will second a full-time OT to Gravesham for the remainder of this financial year. The fully qualified and experienced seconded OT will work exclusively on GBC DFG referrals / applications and will be based in the Housing department of the council. The cost of the secondment will be met from the DFG budget.

## 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 23 February 2016 Full Council approved the Treasury Management Strategy Statement for 2016/17, based on the Code. The authority's Annual Investment Strategy is incorporated in the TMSS and outlines the authority's investment priorities as being:

- Security of Capital
- Liquidity
- Yield

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. Below is a full list of investments held by the Council at 30 June 2016:

Investments	Investments £000	Interest Rate	Date of Repayment
<b><u>Property Funds</u></b>			
CCLA	2,000	N/A	N/A
Hermes Investment Management	2,985	N/A	N/A
<b><u>Banks/Building Societies</u></b>			
Royal Bank of Scotland C.D.	1,000	0.92%	01/07/16
Lloyds	1,000	0.57%	14/07/16
Nationwide B.S.	1,000	0.65%	28/07/16
Lloyds	2,000	0.75%	15/08/16
Nationwide B.S.	2,000	0.80%	26/08/16
Co-operative Rabobank C.D.	2,000	0.62%	21/10/16
Nordea Bank C.D.	2,000	0.71%	21/11/16
Toronto Dominion C.D.	4,000	0.81%	30/12/16
Co-operative Rabobank C.D.	1,000	0.73%	13/01/17
Toronto Dominion C.D.	1,000	0.88%	13/04/17
<b><u>Money Market Funds</u></b>			
AIM Invesco Global	5,000	0.50%	On call
Deutsche	1,478	0.44%	On call
Goldman Sachs	4,980	0.46%	On call
Standard Life (Ignis) SLF	4,985	0.46%	On call
<b><u>Total Investments</u></b>	<b>£38,428</b>		

Table 11: Investments as at 30 June 2016

6.4. Key economic developments within this reporting period:

- The Bank of England May Inflation Report included a forecast for growth for 2016 of 2.0% and 2.3% for 2017 on the assumption then that the referendum result was a vote to remain. The Governor of the Bank of England, Mark Carney, warned that a vote for Brexit would be likely to cause a slowing in growth (particularly from a reduction in business investment) due to the uncertainty of whether the UK would have continuing full access (without tariffs) to the EU single market.
- In his 30 June and 1 July speeches (post referendum), Carney indicated that the Monetary Policy Committee would be likely to cut the Bank Rate and consider undertaking further quantitative easing (purchasing gilts) in order to support growth. He also warned that the Government would need to help growth by increasing investment expenditure and with the use of other fiscal policy tools such as taxation.
- The May Bank of England Inflation Report forecast indicated that inflation may not reach the 2% target within a 2-3 year time horizon. However the falls in the price of oil and food that were recorded twelve months ago will fall out of the calculation of CPI during 2016 and the recent 10% fall in the value of sterling post-Brexit is likely to result in a 3% increase in CPI over a time period of 3-4 years.
- Capita Asset Services undertook a quarterly review of its interest rate forecasts on 4 July 2016 after letting markets settle down following the referendum result on 23 June. It forecast a cut in the Bank Rate of 0.25% by 4 August and has suggested that the Bank Rate may be cut further going forward to either 0.1% or 0%. Thereafter any increase in Bank Rate is not expected until quarter 2 of 2018 at the very earliest.

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

<b>IMPLICATIONS</b>		<b>APPENDIX 1</b>
<b>Legal</b>	There are no specific legal matters arising from this report.	
<b>Finance and Value for Money</b>	The financial implications are included within the body of the report.	
<b>Risk Assessment</b>	The purpose of this provisional budget outturn report is to identify performance against the original budget set for the 2016/17 financial year, and illustrate how these affect the Working Balances and Earmarked Reserves held by the Council at the end of the financial year (subject to audit).	
<b>Equality Impact Assessment</b>	<b>Screening for Equality Impacts</b>	
	<b>Question</b>	
	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	
	b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. No	
<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>		
<b>Corporate Plan</b>	Corporate Plan Objective Four: Sound and self-sufficient council.	
<b>Crime and Disorder</b>	No direct implications.	
<b>Digital and website implications</b>	No direct implications.	
<b>Safeguarding children and vulnerable</b>	No direct implications.	

<b>adults</b>	
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