

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Cabinet
Finance & Audit Committee

Date: 7 November 2016
16 November 2016

Reporting officer: Assistant Director (Corporate Services)

Subject: Budget Monitoring Report 2016/17 – Quarter Two

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 half-year period to 30 September 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 as at 30 September 2016.

Area	Original Budget 2016/17 (£)	Forecast 2016/17 (£)	Variation (£)
Chief Executive	1,485,250	1,485,250	0
Communities	4,230,760	4,069,550	(161,210)
Corporate Services	1,464,590	1,479,670	15,080
Environment & Operations	3,365,920	3,374,810	8,890
Housing & Regeneration	2,779,780	2,779,780	0
Items Carried Forward from 2015-16		100,180	100,180
Interest and Investment Income	(742,500)	(459,300)	283,200
Transfers to/ (from) reserves	740,880	125,660	(615,220)
Transfers to/ (from) balances	1,848,130	1,848,130	0
Transactions below the line	(519,080)	(481,350)	37,730
BUDGET REQUIREMENT	14,653,730	14,322,380	(331,350)
Business Rates Income	(2,727,390)	(2,964,180)	(236,790)
Government Grant Funding	(1,230,550)	(1,230,550)	0
New Homes Bonus	(1,848,130)	(1,848,130)	0
Council Tax Income	(6,050,160)	(6,050,160)	0
Parish Precepts	(279,350)	(279,350)	0
Transfers to/(from) the Collection Fund - CTax	0	(101,150)	(101,150)
Transfers to/(from) the Collection Fund - NNDR	0	520,450	520,450
Use of Working Balances	(2,518,150)	(2,518,150)	0
BUDGET SHORTFALL/(UNDERSPEND)	0	(148,840)	(148,840)

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

2.2. CHIEF EXECUTIVE'S DIRECTORATE – NIL VARIANCE

2.2.1. There are no significant variances to report.

2.3. COMMUNITIES DIRECTORATE – £161K FAVOURABLE VARIANCE

2.3.1. **Acquisition of Network House: £184k 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: £25k adverse variance** – as Members will be aware, the Borough Market closed on 6 June 2015 for refurbishment works. Recently, work has been undertaken to reflect the effect of the market opening in November 2016 with revised income and expenditure expectations built into the Council's MTFP. The result is a projected deficit for 2016/17 compared to original budget of £25,260. However, following the redevelopment work and when fully operational in future years, a positive effect on the Council's budget of around £45,000 is forecast.
- 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: £2k 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 **CORPORATE SERVICES DIRECTORATE – £15K ADVERSE VARIANCE**
- 2.4.1 **Localised Support for Council Tax Administration Subsidy: £11k 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 **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.
- 2.4.3 **Capita Support – Property Funds: £7k adverse variance** – the council has incurred additional costs of £7,130 as part of the due diligence process in engaging Capita to provide support in the selection of Property Funds. However, it should be noted, that this initiative is anticipated to generate a positive effect on the Council's MTFP through future income streams generated.
- 2.4.4 **Electronic payments upgrade – Adelante system: neutral variance** – reserve funding of £23,000 has been made available to enhance electronic payments systems, as well as the introduction of additional payment methods. The Council's current version of the Adelante system is therefore being upgraded to accommodate these changes, improving both customer and officer experience.
- 2.4.5 **Other Minor Variances: £19k adverse variance** – a number of minor variances have been reported within the Corporate Directorate; the net effect of these variances is £18,950.

2.5 ENVIRONMENT & OPERATIONS DIRECTORATE – £9K ADVERSE VARIANCE

- 2.5.1 **Body cameras for Parking Wardens: neutral variance** – the £10k purchase of new body cameras for parking wardens as well as upgrades to security measures for the storing the equipment has been funded by a virement from within existing parking budgets. This will improve the physical and personal safety of Civil Enforcement Officers, as well as assisting the provision of evidence to support appeals and the general transparency of enforcement activities.
- 2.5.2 **Other Minor Variances: £9k 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 HOUSING & REGENERATION – NEUTRAL VARIANCE

- 2.6.1 **Digitisation of Planning records: neutral variance** – 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.

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.
Total C/Forward Requests		£100,180		

Table 2: Items Carried Forward from 2015/16

2.8 INTEREST AND INVESTMENT INCOME – £283K ADVERSE VARIANCE

2.8.1 **Local Authority Mortgage Scheme – LAMS: £3k 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 2016-17 of £23,000 are anticipated, against a budgeted amount of £20,000.

2.8.2 **Investment Income: £286k adverse variance** – generating returns from cash balances continues to be challenging. The council's treasury advisors, Capita, revised the interest rate forecast downwards further in August twice, the third time 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 2016 earning 0.25% and 0.10% for 2017, interest from LAMS and an assumption that the dividend payable on Property Funds is based on the current Net Asset Value, forecast investment income is anticipated to be £460,000, some £286,000 lower than originally budgeted. The forecast investment income is slightly higher than was reported in the quarter one budget monitoring report on the basis of some fixed term investments being arranged just prior to the interest rate cut.

2.9 FUNDING STREAMS – £220K ADVERSE VARIANCE

2.9.1 **Transactions Below the line (MTFP): £38k adverse variance -**

- Additional S31 grants re Business rate relief measures have been announced in 2016/17, resulting in favourable variance compared original budget of £7,670.
- Under accounting arrangements, the corresponding entries relating to reserve-funded expenditure within services, are shown here. A £45,400 adverse variance relating to the reserve funded items as described within the Corporate Services and Housing & Regeneration Directorates has therefore arisen.

2.9.2 **Business Rates Income: £237k favourable variance** – due to the timing constraints of the budget-setting process in relation to completion of the statutory NNDR1 form return, actual business rates income payable from the collection fund is £120,600 higher than budgeted. Additionally, based on current monitoring, there is forecast to be a further benefit to the Council of £116,190 resulting from the Kent Pool arrangements. The final position will depend upon an exact reconciliation of section 31 grants, business rates appeals and the overall position across Kent authorities. Should a healthy surplus be realised, it may be prudent to set aside some additional monies within the Business Rates Equalisation Reserve to safeguard against future business rates volatility.

2.9.3 **Transfers to/(from) the Collection Fund – Council Tax: £101k favourable variance** – a surplus was generated on the council tax collection fund for 2015/16, of which the council's share was £101,150.

2.9.4 **Transfers to/(from) the Collection Fund – NNDR: £520k adverse variance -**

- **Deferrals Scheme: £50k favourable variance** – in 2012/13 businesses 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.
- **Kent Pool and NNDR Collection Fund Deficit: £570k adverse variance** - 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 NNDR Collection Fund deficit at the end of 2015/16.

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 six months to September 2016 the actual vacancy saving achieved was £290,880.

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 **Council Tax Support Scheme and Council Tax** – 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 collection rate is undertaken and this is showing that the collection rate is currently performing as anticipated.

The 2016/17 original budget for income from council tax was calculated on a band D equivalent tax base of 33,074.20 properties. Current indications show an actual tax base of 33,486.40 band D equivalent properties, largely due to growth in than budgeted. If this scenario was realised at year-end, a surplus on the collection fund for council tax would be generated, and would be released as a one-off income stream in 2017/18.

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:

Working Balances	£
Balance Brought Forward from 2015/16	6,095,120
New Homes Bonus (Straight to working balances)	1,848,130
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)	148,840
Forecast Working Balances C/Fwd (as at 30 Sept 2016) including Minimum GF Working Balance	5,465,440
Less: Minimum GF balance	(1,250,000)
Less: Additional General Fund Reserve	(2,000,000)
Forecast Usable Working Balances C/Fwd (as at 30 Sept 2016)	2,215,440

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 01/04/2016 £'000	Forecast Use of Reserve (Expenditure) £'000	Forecast Contributions (Income) £'000	Forecast Balance 31/03/2017 £'000
Spend to Save Reserve (Inc.Digital Team)	347	(23)	28	352
Corporate Priorities Reserve	318	(22)	--	296
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	(304)	207	296
Waste Freighter Replacement Reserve	116	--	221	337
Business Rates Collection Fund Equalisation Reserve	719	(570)	--	149
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	(148)	5	3,011
Total	6,822	(1,500)	1,186	6,508

Table 4: Analysis of Specific Reserves

2.11.3 Significant or new approved use of reserves include:

- **Spend to Save Reserve** – £23,000 to finance the upgrade of electronic payments systems as described within the Corporate Services Directorate section above
- **Corporate Priorities Reserve** – £22,400 to finance the digitisation of historical planning records as described within the Housing & Regeneration Directorate section above.
- **Repairs and Renewals Reserve** – £160,000 contribution to the capital “Essential Repairs to Buildings” programme.
- **Business Rates Equalisation Reserve** – £569,820 to finance sums payable to the Kent Pool (£219,000) and meet the Collection Fund deficit (£350,820) as described within the Business Rates Income section above.
- **Borough Market Reserve** – £40k match-funding to contribute towards market refurbishment works.

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 was debated at Full Council on 11th October, where the unanimous decision was taken for the council to reluctantly accept the offer.
- 2.12.3 Government issued consultation on the 2017/18 Local Government Finance Settlement in September 2016. Within this government are proposing council tax referendum principles which permit shire district councils to increase council tax of less than 2% or up to and included £5, whichever is higher. The current MTFP reflects the council increasing council tax by £5 in 2017/18. The consultation also indicated government's intention to extend council tax principals to larger town and parish councils and a mechanism to ensure that the business rates income remains fiscally neutral for local authorities after the revaluation adjustment, which takes effect from 1 April 2017.
- 2.12.4 There have been no further announcements on the future of the New Homes Bonus Scheme. 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. We now look to the Autumn Statement on 23 November to provide clarity on this income stream.
- 2.12.5 The council responded in September to the initial consultation from Government on proposals to significantly change the Business Rates Retention Scheme, allowing local government (including counties, unitary and district authorities) and Fire & Rescue Services to retain locally-generated business rate revenues to fund local services. The government issued initial consultation on the new scheme in July, with more technical consultation expected later this year.
- 2.12.6 The council continues to take forward the 'Bridging the Gap' workstreams set out in its Medium Term Financial Strategy intended to enable the council to meet the financial challenges it faces over the medium-term. The council has secured a second purchase under its Property Acquisition Strategy and this will complete in October, resulting in an initial rental income stream of £240,000. The first Service Review Options relating to Economic Development (including Tourism and Town Centre Management) and Public Health & Communities were considered by Cabinet on 10th October. Budgetary challenge activity has also commenced with an exercise underway to review budgetary provision and identify budget lines which are consistently underspent (or overspent) with a view to driving an overall baseline saving going forward.

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 2	Variance
Sports Pitches	300,000	-	-	300,000
Redevelopment of former Fleet Leisure Site	2,600,000	-	208,459	2,391,541
Market Refurbishment (Grant-funded)	1,584,430	-	614,740	969,690
Local Growth Fund Projects (LEP Funded)	17,530	90,000	7,855	99,675
Customer Contact Platform	9,550	-	3,037	6,514
Young Persons Champion	50,000	-	35,877	14,123
Older Persons Champion	50,000	-	6,570	43,430
Essential Repairs to Buildings	410,000	-	117,655	292,345
Gravesend Cemetery Improvements	22,850	-	-	22,850
Parrock St Car Park - Toilet Block (Provision)	34,220	-	-	34,220
Purchase of Vehicles (DSO Fleet)	470,000	-	274,207	195,793
Decrim Account - hardware and software	15,010	-	-	15,010
Refurbishment - Woodlands Park Play Site & Toilets	210,000	-	18,872	191,128
Income System - Finance	41,500	-	20,750	20,750
Property Acquisition Programme	-	10,000,000	3,299,354	6,700,646
Clock Tower Restoration	-	215,400	48,242	167,158
	5,815,090	10,305,400	4,655,618	11,464,873

Table 5: General Fund Capital Programme 2016/17

- 3.1.1 **Redevelopment of former Fleet Leisure Site** – Structural survey reports have been received as well as updated Quantity Surveyor estimates for the site to be redeveloped. In tandem with this, the updated business plan from Gravesham Community Leisure (GCLL) is being re-assessed by consultants, Strategic Leisure, to make sure that the revised scheme is still a viable and sustainable project. Once this has been ratified and assessed internally, a future report on the way forward will be submitted to Cabinet for approval.
- 3.1.2 **Market Refurbishment** – Faithdean Plc were appointed as the successful contractor and refurbishment works for the Market commenced in February 2016. The 40 week works programme allows for completion in November 2016, enabling the new Market to reopen in the run up to Christmas. Traders who have expressed an interest in taking space in the new Market are being worked with and licences will be signed prior to opening.
- 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 MyGravesham online account service was launched on 12 September 2016 alongside the councils new website. As at the end of September there were 412 accounts created by customers. The majority of requests completed through the website and via the customer contact centre are now being handled by the single customer contact platform. The focus of the project now is expanding capability and introducing new services. The software 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 relief on the Thames. Funding has also been allocated to Those Magic Beans theatre production company.
- 3.1.6 **Essential Repairs to Buildings** – concrete repair works to the Civic Centre Façade commenced in July and are currently ongoing.
- 3.1.7 **Decriminalisation** – the Parking Manager and Business Applications Manager are continuing to work with the software provider to ensure all capabilities of mobile technology are realised; some testing is being arranged prior to confirming an order.
- 3.1.8 **Refurbishment of Woodlands Park** – this scheme has now been completed, and final payment will be made shortly.
- 3.1.9 **Income System (Finance)** – the project is on going with the new system installed and currently being tested. A period of parallel running with the Council's current system is planned for October/November before go live, which is scheduled to take place later in November.
- 3.1.10 **Property Acquisition Programme** – in October, the Council will be securing its second interest under the Property Acquisitions Strategy. The Council will acquire the head-leasehold interest of A4-A5 and C1-C6 Springhead Enterprise Park, resulting in the Council having an uninterrupted interest in the Units (the council already has the freehold interest in these units). Work continues to identify other suitable opportunities for consideration by the Property Acquisitions Cross Party Working Group and Full Council has provided some flexibility to enable the remainder of the funding for the programme to be utilised in the most effective manner.
- 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 September 2016. The net total of the variances identified as at the end of the first quarter is an underspend of £208,140

Description	Original Budget 2016/17	Forecast Out-turn 2016/17	Variance
Supervision & Management	5,999,230	5,868,480	(130,750)
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
Sub Total (Expenditure)	27,465,200	27,334,450	(130,750)
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)	(278,210)	(11,390)
Sub Total (Income)	(28,278,270)	(28,355,660)	(77,390)
Transfers to/from reserves	813,070	1,021,210	208,140
Total	0	0	0

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 half of the year to September 2016, the actual vacancy saving achieved was £139,130.
- 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 up to cover costs resulting from vandalism, fire, theft and accidental damage.
- 4.2.3 **Insurance** (adverse variance) – following the increase in insurance premium tax from 9.5% to 10% in October, there is an additional cost of £1,880.
- 4.2.4 **Holding Hands** (favourable variance) – The number of people requesting to downsize from their existing property is lower than anticipated. As a result the number of payments paid as incentive is resulting in an underspend of £5,000.

4.2.5 **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

4.2.6 **Grants** (favourable variance) - a grant totalling £11,390 has been received from KCC in relation to Energy Efficiency: Green Deal Community Contribution towards work in the Warm Homes scheme

4.3 Other Variances and Risks not reflected in the Current Budget

4.3.1 In the previous budget monitoring report an update on two Government initiatives was provided; Pay to Stay and Sale of High Voids. As yet no further details have been published. Updates will be provided to Management Team and Members as and when more information is available.

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	(208,140)
Forecast working balances C/Fwd (as at 30 September 2016) including Minimum HRA Working Balance	(3,208,140)
Less Minimum HRA Balance	(3,000,000)
Forecast working balances C/Fwd (as at 30 September 2016)	(208,140)

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	(1,099)	(3,877)
RTB Retained Receipts for Debt Repayment	(2,543)	2,651	(550)	(442)
Total	(5,321)	2,651	(1,649)	(4,319)

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 resulting from Management Team and Cabinet decisions. The current HRA Business Plan is attached to the report at appendix three for Member information.
- 4.5.2 The figures in this report, taken from the Business Plan, are subject to a validation exercise that is currently being undertaken within Finance ahead of the projected outturn for current year and future year's budget setting processes. This work is based on specific budgetary challenge activity for the Housing Revenue Account, as referenced within the Medium Term Financial Strategy 2016/17 to 2019/20.

HOUSING CAPITAL PROGRAMME

5.1 The Housing Capital programme for 2016/17 totals £12,199,670 of which £1,296,230 relates to non-HRA capital schemes and £10,903,440 relates to HRA capital schemes. The HRA capital schemes continue to focus on the minimum Decent Homes Standard for the Council's stock, with £5,042,100 earmarked for this purpose in 2016/17. The council also continues its commitment to build new homes, with £3,124,230 allocated for this purpose in the year.

REF No	PROJECT	Total expenditure to date	Working Budget 2016-17	Current Variance (Under) / Overspend
A	Decent Homes	1,463,279	5,042,100	(3,578,821)
B	Health & Safety	373,466	1,602,060	(1,228,594)
C	Minor / Other Works	179,214	657,010	(477,796)
D	Housing Computer System	-	33,670	(33,670)
E	New Build	1,367,267	3,124,230	(1,756,963)
F	PV Panels	-	444,370	(444,370)
	Sub-Total (HRA Capital Programme)	3,383,226	10,903,440	(7,520,214)
G	Disabled Facilities Grant	268,540	1,154,230	(885,690)
H	Southfield Shaw Capital Works	-	52,000	(52,000)
I	Op Services Scheduling System	58,350	90,000	(31,650)
	Total (HRA & GF Capital Programme)	3,710,116	12,199,670	(8,489,554)

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. 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:
 - Fourteen kitchens replacements have been completed with another 55 in progress
 - One major void requiring complete renovation was completed
 - 10 properties have been fitted with window/door replacements, a further 80 properties are scheduled
 - 58 properties are scheduled to have roof replacements

- **Health And Safety (Ref B)** - the following works have been completed:
 - Energy Efficiency-180 central heating systems were installed and another 257 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- 26 properties had shower/ramps installed and another 55 are planned/in progress
 - Six lifts were installed and another eleven are planned/in progress
- 5.3 Two grants, totalling £78,000, have been received from Kent Fire and Rescue Service to assist with the cost of installing a sprinkler system at Carl Ekman House and at the Hive. Therefore, the budget for Health & Safety Works has been increased accordingly.
- 5.4 The authority has 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 &/ or acquisition of additional social housing (Ref E).
- Two schemes have been completed St Gregory's (twelve units) and Greenhill (two units)
 - Another three schemes are in the pipeline: Alanbrooke (five units), Tooley Street (two units) and Farlow Close (five units).
 - The council has also bought three properties from the market and intends to buy three more in the next quarter.

	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
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					
Total	5,626,010	13,127,340	18,753,360		

Table 10: New Build

- 5.5 The council is allowed to keep part of the RTB receipts to repay the debt incurred in 2012 as part of HRA self-financing. As at 1 April 2016, the balance on the RTB reserve fund stood at £2,542,730. Bearing in mind that there are two Debt Repayment Reserves, the proposal is to use the RTB reserve to help fund the New Build projects. There is no restriction on what the money can be used for and it will ensure that monies are only borrowed once all available resources have been utilised
- 5.6 **Disabled Facility Grants (Ref G)** – Since the update on DFG spend level last quarter, certain steps have been taken to overcome the anticipated underspend by the end of this financial year. In order to facilitate the increase of the throughput of DFG referrals from KCC, GBC have now entered into an agreement whereby an Occupational Therapist (OT) from KCC is seconded to work on GBC cases only. This arrangement will be in place until March 2017 with the OT being based within GBC offices, working alongside GBC officers and with every effort being made to ensure there is no backlog by the end of the financial year. Albeit the start date of this arrangement was 1 September 2016, we have already seen an increase in activity of referrals from the KCC backlog. The lengthy process of the DFG, however, means that it will still be some time before this increase is reflected in the overall spend.

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 September 2016:

Investments	Investments £000	Interest Rate	Date of Repayment
<u>Property Funds</u>			
CCLA	2,000	N/A	N/A
Lothbury	4,999	N/A	N/A
Hermes Investment Management	2,985	N/A	N/A
<u>Banks/Building Societies</u>			
Nordeutsche Landesbank C.D.	2,000	0.55%	14/10/16
Lloyds Bank	3,000	0.65%	14/10/16
Co-operatieve 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
DZ Bank AG C.D.	4,000	0.54%	06/01/17
Co-operative Rabobank C.D.	1,000	0.73%	13/01/17
Lloyds Bank	2,000	0.65%	15/02/17
Toronto Dominion C.D.	1,000	0.88%	13/04/17
UBS C.D.	4,000	0.69%	31/07/17
<u>Money Market Funds</u>			
AIM Invesco Global	4,990	0.43%	On call
Goldman Sachs	185	0.36%	On call
Standard Life (Ignis) SLF	1,940	0.39%	On call
<u>Total Investments</u>	£42,099		

Table 11: Investments as at 30 September 2016

6.4 Key economic developments within this reporting period:

- The Referendum vote for Brexit in June this year delivered an immediate fall in the confidence indicators and business surveys, which suggested an impending sharp slowdown in the economy. More recent surveys have however shown a recovery in levels of confidence and it is generally expected that the economy will experience (weak) levels of growth through the second half of 2016 and in 2017.
- The new Chancellor Phillip Hammond has announced that the Government target of achieving a budget surplus in 2020 will be eased in the Autumn Statement on November 23.
- On 4 August the Bank of England addressed the expected slowdown in growth with a package of measures that included a cut in the Bank rate from 0.5% to 0.25%. Its Inflation Report for August included an unchanged forecast for growth of 2.0% in 2016 but cut its growth forecast for 2017 from 2.3% to 0.8%. Post referendum, there has been a 10% fall in the value of sterling. This is likely to result in a 3% increase in CPI within 4 years and the Inflation Report included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019.
- Capita Asset Services undertook a quarterly review of its interest rate forecasts after the MPC meeting of 4 August cut the Bank Rate to 0.25% and gave forward guidance that it expected to cut the Bank Rate again to near zero before year-end. Capita's latest forecast therefore includes a further cut in Bank Rate to 0.10% in November this year before a first increase back to 0.25 in May 2018 but with no further increase (to 0.5%) until a year later.

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	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).	
Equality Impact Assessment	Screening for Equality Impacts	
	Question	
	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>		
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	No direct implications.	

adults	
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