

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Cabinet
Finance & Audit Committee

Date: 5 February 2018
19 February 2018

Reporting officer: Assistant Director (Corporate Services)

Subject: Budget Monitoring Report 2017/18 – Quarter Three

Purpose and summary of report:

To provide Members with information on actual performance against the approved Revenue and Capital budgets for 2017/18, 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 2017/18 financial year for the first quarter year period to 31 December 2017 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;
 - 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. EXECUTIVE SUMMARY

General Fund (Revenue)

- 2.1. At the end of Quarter Three there is projected underspend for the year of £630,850. Main movements affecting the forecast position against the original budget for the year include impacts accruing against staffing budgets and implementation of 'Bridging the Gap' activity.
- 2.2. The level of Working Balances at year end are projected to be £6.99m, constituted of the minimum working balances of £1.25m, the General Fund reserve of £2m and usable Working Balances of £3.74m.
- 2.3. Movements in the year are projected to result in a net increase in reserves of £0.2m, with the level of reserves being £7.1m at start of year and projected to be £7.3m at year end.
- 2.4. Significant risks to the General Fund's financial position continue to come from the lack of clarity regarding the future of local government funding.

General Fund (Capital)

- 2.5. The General Fund Capital Programme for the year is budgeted at £12.6m, with spend to the end of Quarter Three of £1.6m.

HRA (Revenue)

- 2.6. At the end of Quarter Three, income and expenditure for the year remains balanced, albeit there is a movement in the projected transfer to reserves due to adjustment in the funding for the New Build/Acquisition programme. Main movements affecting the forecast position against the original budget for the year include savings against staffing budgets, increases in rental income, the impact of the disposal of the PV Panel stock and savings generated from ongoing activity to improve the efficiency and effectiveness of the repairs and maintenance service to tenants.
- 2.7. The level of Working Balances at year end are projected to be £3.0m, at the minimum level of Working Balances for the HRA. Movements in the year are projected to result in a net increase in the General HRA Reserves of £2.1m, with the level of reserves being £4.6m at start of year and projected to be £6.7m at year end.
- 2.8. As with the GF, the significant risk to the HRA's financial position continues to be the lack of clarity regarding funding, in particular changes to funding for supported housing.

Housing Capital

- 2.9. The Housing Capital Programme for the year is budgeted at £14.7m, with spend to the end of Quarter Two of £9.5m.

3. GENERAL FUND (REVENUE)

3.1. Budget 2017/18

3.1.1. The approved Original Budget Requirement for 2017/18 is £13,204,070, funded by Central Government Grant, retained Non-Domestic Rates, Council Tax and use of £1,438,900 Usable Working Balances, in accordance with the Medium Term Financial Strategy.

3.1.2. The table below sets out the current assessment of performance against the Original Budget by Directorate, based on known variances as at 31 December 2017.

Directorate / Budget Heading	Original Budget 2017/18 (£)	Forecast 2017/18 (£)	Variation (£)
All Directorate - Salaries	0	(410,000)	(410,000)
Chief Executive	21,980	21,980	0
Communities	3,972,570	3,722,340	(250,230)
Corporate Services	3,552,050	3,542,040	(10,010)
Environment & Operations	2,486,880	2,447,480	(39,400)
Housing & Regeneration	2,017,810	1,967,810	(50,000)
Items Carried Forward from 2016-17	0	83,580	83,580
Non-Directorate Specific	1,080,340	1,080,340	0
Interest and Investment Income	(461,390)	(461,390)	0
Government Grant Funding	(386,690)	(637,810)	(251,120)
Transfers to/ (from) reserves	697,740	772,180	74,440
Transfers to/ (from) balances	1,426,000	1,426,000	0
Transactions below the line	(1,203,220)	(1,077,660)	125,560
BUDGET REQUIREMENT	13,204,070	12,476,890	(727,180)
Business Rates Income	(2,942,880)	(2,846,550)	96,330
Council Tax Income	(6,386,320)	(6,386,320)	0
Parish Precepts	(298,560)	(298,560)	0
New Homes Bonus	(1,426,000)	(1,426,000)	0
Revenue Support Grant	(598,240)	(598,240)	0
Transfers to/(from) the Collection Fund	(113,170)	(113,170)	0
Use of Working Balances	(1,438,900)	(1,438,900)	0
BUDGET SHORTFALL/(UNDERSPEND)	0	(630,850)	(630,850)

Table 1: General Fund Revenue Assessment of Performance to date 2017/18: by Directorate

3.2. ALL DIRECTORATE – SALARIES

3.2.1 **Staffing: £410k favourable variance** – the council continues to maintain a close analysis of staffing budgets through regular monitoring to Management Team and effective management of vacant posts and the staffing establishment. The budget for 2017/18 incorporated a vacancy allowance of £350,000, and the current year-end projection is an underspend of £760,000, therefore giving rise to the net favourable variance of £410,000.

3.3. CHIEF EXECUTIVE'S DIRECTORATE – NIL VARIANCE

3.3.1. There are no significant variances to report.

3.4. COMMUNITIES DIRECTORATE – £250k FAVOURABLE VARIANCE

3.4.1. **Acquisition of St John's House, Dartford: £160k favourable variance** – during the early part of 2016, the council set aside £10m of its cash balances to acquire commercial property that will deliver an ongoing revenue income stream. In February 2017, the council completed its third acquisition, St John's House in Dartford, which is anticipated to provide an annual rental income stream of £160k.

3.4.2. **Legal Shared Services: £104k favourable variance** – as part of "Bridging The Gap" activity identified within the Medium Term Financial Strategy (MTFS) a number of shared service options have, and are, being explored. The establishment of a shared service with Medway Council for legal services from April 2017 has produced a positive effect to the Council's Medium Term Financial Plan (MTFP) of £87k. Additionally, there is a projected reduced contribution due to Medway Council of £17k, largely resulting from staffing vacancies within the service. Therefore, the projected net favourable variance for 2017/18 is £104k.

3.4.3. **Investment Properties: £58k favourable variance** – following activity to refine budgeting arrangements for annual rental income streams from investment properties, there is additional projected rental income for 2017/18 of £58k compared to the original budget.

3.4.4. **CCTV Partnership: £44k favourable variance** – as part of the Service Review process within the "Bridging the Gap" activity to balance the Council's finances, proposals have been developed to enhance the existing shared CCTV partnership. This has been achieved by reducing staffing costs and funding previously set aside on an annual basis to support the installation of new CCTV cameras/equipment. Gravesham and Medway now share a desk in the CCTV Control Room and require fewer Operators to monitor the systems. This change came into effect from 1st July 2017 resulting in a projected part-year saving for 2017/18 of £44k. The full-year saving from 2018/19 onwards is likely to be around £60k.

3.4.5. **Civic Centre Rental Income: £17k favourable variance** – following the recent conclusion of leasing arrangements with the NHS to rent part of the first floor and basement areas of the Civic Centre, there is projected rental income in 2017/18 of £17k. This will increase to around £40k across future years up to and including 2022/23.

3.4.6. **Acquisition of 123-127 High Street, Sittingbourne: £15k favourable variance** – earlier during 2017/18, the council set aside a further £10m of its cash balances to acquire further commercial property that will deliver an ongoing revenue income stream. In January 2018, a property in Sittingbourne High Street was acquired which is anticipated to provide an annual rental income stream of £85k, with a part-year benefit in 2017/18 of £15k.

- 3.4.7 **Payroll Shared Services: £10k adverse variance** – the Council has also entered into an arrangement with Medway Council for shared payroll services. This has initially led to a £10k adverse variance, although it should be noted that underspends resulting from staff vacancies within HR will more than offset this (staffing is reported for the council as a whole rather than within individual services). Additionally, the new service is providing non-financial benefits such as greater resilience and self-service capabilities and facilitates work now commencing on developing a shared HR service between the two councils.
- 3.4.8 **Member Allowances: £49k adverse variance** – in October 2016 the Independent Remuneration Panel (IRP) was appointed by Council to undertake a review of member allowances and met on four occasions between November 2016 and February 2017. The recommendation made by the IRP was debated and agreed at Full Council in February 2017 and has resulted in a budgetary increase of £49k in the current financial year.
- 3.4.9 **Borough Market: £70k adverse variance** – budget setting for 2017-18 took place in advance of the reopening of the Borough Market in December 2017 and it was therefore not possible for it to be informed by a new pattern of trading. Whilst occupancy of permanent stall units has been encouraging, delays with the final completion of the works and introduction of a café together with a slower than anticipated uptake in pop-ups being booked has had an impact on predicted income. Focusing the town's Christmas Frost Fair programme of the lights switch-on, Christmas markets and events brought welcome footfall into that part of the town. The planned appointment to the Market Manager post has, however, fallen through. This has led to a restructuring of the Market management team to help take forward the next stage of the Market's establishment.
- 3.4.10 **Altogether Safe Project: neutral variance** – grant funding of £76k has been secured from the Home Office by the Community Safety team. This funding will target the prevention of domestic abuse through a series of programmes delivered by external partners e.g. in schools and counsellor advice.
- 3.4.11 **Other Minor Variances: £19k adverse variance** – a number of minor variances have been reported within the Communities Directorate; the net effect of these variances is £19k.

3.5 CORPORATE SERVICES DIRECTORATE – £10k FAVOURABLE VARIANCE

- 3.5.1 **Internal Audit Shared Service Arrangements: £18k favourable variance** – as part of their professional standards, internal audit services are required to be subject to an external quality assessment every five years. The shared service run by Medway Council have entered into this process for 2017/18, leading to additional costs of £8k. Additionally, there is a projected reduced contribution due to Medway Council of £28k, largely resulting from staffing vacancies and restructuring within the service. Therefore, the projected net favourable variance for 2017/18 is £19k.
- 3.5.2 **Localised Support for Council Tax (LSCT) – Preceptor Funding: £8k adverse variance** – in recent years the Council has received £125k from the major preceptors as contributions towards administering the LSCT scheme. Since the original budget was set, the Council has received notification that the level of funding will be reduced, resulting in an £8k deficit in 2017/18.

3.5.3 **Automated Invoicing & Asset Accounting Projects: neutral variance** – funding from the Corporate Priorities Reserve of £29k has been made available to enhance the council's financial systems. The automated invoicing project involves automatically matching supplier invoices submitted electronically to existing authorised purchased orders without further need for manual intervention, therefore increasing efficiency, accuracy and throughput. Asset accounting is a particularly complex and technically demanding area of finance, with records traditionally held on manual spreadsheets. Utilising a specifically designed asset accounting module will provide greater robustness and resilience to this process and help standardise procedures.

3.6 ENVIRONMENT & OPERATIONS DIRECTORATE – £39k FAVOURABLE VARIANCE

3.6.1 **Garden Waste Collection Service: £50k favourable variance** – the garden waste subscription service continues to grow with approximately 1,500 new customers joining the scheme in 2017/18. This additional volume, compared to the original budget, has led to projected surplus income of £50k.

3.6.2 **Annual Maintenance of closed Churchyards: £5k adverse variance** – following the Service Review Team (SRT) process analysing Direct Service Organisation (DSO) services, a requirement was identified to have a dedicated budget to fund maintenance and minor repairs in closed churchyards. The estimated annual provision required was £5k; this has been built into the MTFP giving a variance to the 2017/18 original budget.

3.6.3 **Security costs at Fort Gardens: £6k adverse variance** – due to various incidents of anti-social behaviour over the summer holiday period, extra security measures have been required at Fort Gardens leading to an overspend of £6k.

3.6.4 **Controlled Parking Zone & Park Map System: neutral variance** – within the SRT review for Parking, one option identified the need to carry out a review of existing Controlled Parking Zone arrangements. Funding from the Decriminalisation and Service Review reserves of £77k has been made available to enable this - the work involves engaging an external consultant and developing a project plan, as well as setting up a Park Map system to manage traffic regulation orders.

3.6.4 **Hand Arm Vibration (HAV) System: neutral variance** – the Council has a legal duty under the Control of Vibration at Work Regulations 2005 to assess and identify measures to eliminate or reduce risks from exposure to hand-arm vibration, particularly caused by operating hand-held power tools. Hand-arm vibration was highlighted as a risk within the quarterly risk register presented to Management Team in March 2017, and resultantly funding from the Corporate Priorities Reserve of £20k has been released to finance the procurement of a HAV system.

3.7 HOUSING & REGENERATION – £50k FAVOURABLE VARIANCE

- 3.7.1 **Private Sector Housing: £50k favourable variance** – there is a statutory requirement for local authorities to keep housing conditions in their area under review in order to identify any actions that may need to be taken. As such, a stock condition survey is usually carried out every 5-6 years to comply with this requirement. The latest private sector stock survey was carried out in Gravesham in 2015/16, meaning that the original budget set aside in 2017/18 is not required. The MTFP has been re-evaluated to ensure budgetary provision exists at 5-year intervals when the survey work will be required again.
- 3.7.2 **Planning Fees: neutral variance** – the statutory instrument incorporating the ability to increase planning fees by 20% comes into effect from 17 January 2018. This is projected to generate additional income of £11k for the current year, £66k in future years. These funds will be re-invested within the planning department, resulting in an overall neutral variance.
- 3.7.3 **Homelessness: neutral variance** – as at end of Quarter Three, £51k has been spent / committed against an annual temporary accommodation budget provision of £50k. During the same period, £11k income has been received for temporary accommodation provision, thereby making the net cost of temporary accommodation £39k against the budget provision of £50k. 2017-18 has so far seen a peak in temporary accommodation placements and the team have needed to procure temporary accommodation from the private rent sector. Due to the ongoing level of demand, this budget is projected to be overspent by approximately £5k at year-end. However, other minor budget lines within the service are anticipated to slightly underspend, therefore resulting in a net overall balanced position.

3.8 ITEMS CARRIED FORWARD FROM 2016/17 – £84k

3.8.1 The following carried forward items from 2016/17 to 2017/18 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 2016/17</u>	<u>Reason for carry-forward request into 2017/18</u>
Communities	Community Engagement	£500	Budget has been earmarked for a project which does not take place until 2017/18.	To support the Chinese New Year event taking place in 2017/18.
Communities	Community Engagement	£2,000	Budget has been earmarked for a project which does not take place until 2017/18.	This unspent budget is needed to fund the cost of 'Our Dancing Town' project in 2017/18.
Communities	Economic Development	£5,580	Virtual Museum activity requested by members. Work has started but is not yet complete. These funds have been set aside to pay for this work.	This project will be completed in 2017/18.
Communities	Economic Development	£5,860	This budget was originally set up to provide funding for the new Market. There have been delays with the Old Fish Market which has prevented the spending of the budget in 2016/17.	Roll over to meet the cost of new equipment relating to the Market which has been delayed until 2017/18.
Communities	Community Engagement	£6,000	Budget has been earmarked for a project which does not take place until 2017/18.	Cost to cover Silk River project delivery. This project will take place in 2017/18
Communities	Gravesham Youth Council	£8,740	Grant funding received in 2016/17, this is the remaining balance of funding available and has been set aside for the Gifted Young Gravesham talent show.	The unspent grant will be used to deliver the Gifted Young Gravesham programme which is a talent show for young people organised by the youth council in October. There are no other dedicated funds to finance this activity in 2017/18.
Communities	Woodville	£10,000	Part of the Woodville underspend has been set aside to fund future projects.	Roll over to fund Woodville 50th celebrations. Which will take place in 2017/18.
Communities	Community Engagement	£11,000	A budget was set aside for Community activities, however to date, this has not been fully utilised.	To be rolled forward for use on Community Activities taking place in 2017/18.
Communities	Woodville	£15,000	An underspend has been achieved for Woodville in 2016/17 Part of this underspend has been allocated by the Governance Group for use in 2017/18.	Roll over to fund PA system delivery. This expenditure was agreed at the Governance Group.
Corporate	Procurement	£9,720	Due to the need to evaluate the alternative options available for the Fleet Leisure site, there has been a delay in commissioning the procurement support from Strategic Leisure.	This unspent budget will be used to fund the current procurement exercise being undertaken in relation to Fleet Leisure.
Housing Regeneration	Development Management	£3,000	Funds have been earmarked for the Kent Design Initiative but the work was not completed by the end of the year.	To fund the Kent Design Initiative in 2017/18.
Housing Regeneration	Planning	£5,930	Due to staff shortages the street signs identified for replacement were not replaced during 2016/17.	It is anticipated that further street signs will need to be replaced in 2017/18 and therefore this budget will be needed in addition to the 2017/18 original budget.
Housing Services	Private Housing	£250	In October 2016 there was a Black History Month display in the Blake Gallery and a contribution was received to fund this display. This contribution was not fully spent but has been earmarked for a similar display in 2017/18.	This unspent contribution will fund a Black history month display in October 2017.
Total carry-forward requests		£83,580		

Table 2: Items Carried Forward from 2016/17

3.9 INTEREST AND INVESTMENT INCOME – NEUTRAL VARIANCE

3.9.1 **Investment Income: neutral variance** – generating returns from cash balances continues to be challenging, albeit officers are not currently anticipating any budget variation in this area. Work is ongoing to try to maximise returns from Alternative Investment Options and officers have taken forward the recommendation agreed by Full Council to consider the use of Diversified Income Funds as part of its investment activity. With the assistance of Link Asset Services (formally Capita) officers have been able to identify and hold interviews with potential fund managers. The Property Acquisitions Cross Party Working Group is scheduled to convene on 18th January to consider the recommendations of officers ahead of the final decision by the S151 Officer, with investments in funds expected to be made shortly afterwards.

3.10 FUNDING STREAMS – £45k ADVERSE VARIANCE

3.10.1 **Government Grant Funding – Section 31 grants: £251k favourable variance** – see Business Rates Income section below.

3.10.2 **Transfers to/(from) reserves: £74k adverse variance** – following re-profiling of the Local Authority Mortgage Scheme (LAMS) reserve, £100k will no longer be released in 2017/18, but instead spread between 2018/19 and 2020/21 to tie-in with when mortgages finish. Additionally, a new Commercial Income Protection Reserve of £100k, has been established using surpluses generated from 2017/18 rental income streams. Given the council's recent investment property acquisitions, this will act as a safeguard against future potential void periods. Thirdly, £126k has been released from reserves to fund items as described within the Corporate Services and Environment and Operations Directorate sections. Therefore the overall projected variation for reserve movements is £74k.

3.10.3 **Transactions Below the line: £126k adverse variance** - under accounting arrangements, the corresponding entries relating to reserve-funded expenditure within services (the drawdown from the reserve and the transfer into the specific service) are shown here. As described above, £126k has been released into the Corporate Services and Environment and Operations Directorates.

3.10.4 **Business Rates Income: £96k adverse variance** – the latest projection for business rates income takes into account the timing constraints of the budget-setting process in relation to completion of the statutory NNDR1 form as well as projected benefits resulting from membership of the Kent Business Rates Pool. The projection for Section 31 grants received to compensate the Council for various business rate reliefs granted (within the Government Grant Funding) has also been updated, giving a net benefit to the MTFP of £155k.

3.11 Other Variances and Risks not reflected in the Current Budget

3.11.1 **Fees and Charges (General)** – Income received from fees and charges supports the annual budget. Monitoring to the end of December indicates that income streams are generally performing well against budget; monitoring will continue during the year with any known variances reported through future budget monitoring reports.

3.12 Working Balances and Reserves

3.12.1 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 2016/17	6,162,550
New Homes Bonus (Straight to working balances)	1,426,000
Release of Spend to Save Reserve (not Digital Reserve)	209,910
Budgeted use of Working Balances to support the General Fund	(1,438,900)
Variances per budget report (Incl.items Bfwd from 2016/17)	630,850
Forecast Working Balances C/Fwd (as at 31 December 2017) including Minimum GF Working Balance	6,990,410
Less: Minimum GF balance	(1,250,000)
Less: Additional General Fund Reserve	(2,000,000)
Forecast Usable Working Balances C/Fwd (as at 31 December 2017)	3,740,410

Table 3: Effect on General Fund Balances

3.12.2 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 01/04/2017 £'000	Forecast Use of Reserve (Expenditure) £'000	Forecast Contributions (Income) £'000	Forecast Balance 31/03/2018 £'000
Spend to Save Reserve (Inc.Digital Team)	349	(212)	16	153
Corporate Priorities Reserve	276	(81)	--	195
Property Asset Enhancement Reserve	484	--	100	584
Planning Policy Reserve	327	--	100	427
Leisure Centres Reserve	656	(153)	380	883
Decriminalisation Reserve	49	(49)	--	--
Town Pier Pontoon Reserve	103	(43)	13	73
Local Authority Mortgage Scheme (LAMS) Reserve	100	--	--	100
Elections Reserve	89	--	17	106
IT Infrastructure Reserve	10	--	75	85
DSO Fleet Vehicle Replacement Reserve	112	(105)	107	114
Waste Freighter Replacement Reserve	338	--	222	560
NNDR Collection Fund Equalisation Reserve	500	--	--	500
NNDR Growth Fund Reserve	245	(23)	--	222
GBC Match Funding CCF - Borough Market Reserve	40	(40)	--	--
Lower Thames Crossing Reserve	150	--	--	150
Service Review Reserve	300	(45)	--	255
Playgrounds Reserve	100	--	--	100
Woodville Repairs Reserve	--	--	57	57
Commerical Income Protection Reserve	--	--	100	100
Revenue Grants not yet applied	2,833	(292)	68	2,609
Total	7,061	(1,043)	1,255	7,273

Table 4: Analysis of Specific Reserves

- 3.12.3 Significant or new approved use of reserves include:
- 3.12.4 **Spend to Save Reserve (Inc. Digital Team)** – release of £210k from Spend to Save Reserve (excluding Digital Team) as per the annual review of reserves and working balances.
- 3.12.5 **Corporate Priorities Reserve** – £29k to enhance financial systems – automated creditor payments & asset accounting (Corporate Services), £20k to procure a Hand Arm Vibration system (Environment & Operations), and £15k re Grave Shoring equipment.
- 3.12.6 **Decriminalisation Reserve** – £49k to part-finance a Controlled Parking Zone (CPZ) review as identified within the Service Review process (Environment & Operations).
- 3.12.7 **Service Review Reserve** – £28k to part finance the CPZ review described above, and also a Park Map System which manages traffic regulation orders (Environment & Operations) and £17k re Legal Services set-up costs for shared service arrangements.
- 3.12.8 **Revenue Grants not yet applied** – As at quarter three, a net £224k has been released to revenue. Of this, £187k relates to costs associated with the new domestic waste collection scheme such as promotion and distribution.

3.13 Medium Term Financial Planning

- 3.12.1 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.
- 3.12.2 On 22 November 2017 the Chancellor of the Exchequer delivered his first Autumn Budget. This set out a number of changes to the business rates scheme, including the bringing forward of by one year of the decision to uprate the business rates multiplier annually by CPI, rather than RPI. The Government is continuing with its intention to significantly change the Business Rates Retention Scheme to provide local government (including counties, unitary and district authorities) and Fire & Rescue Services with the ability to retain business rate revenues to fund local services. These plans, however, were adjusted in the announcements of the Provisional Local Government Finance Settlement on 19 December 2017, with implementation moving to 75% Business Rate Retention in 2020-21 rather than the 100% Business Rate Retention in 2019-20 which was initially announced.
- 3.12.3 At the same time as the provisional local government settlement, government confirmed that Kent & Medway had been successful in its bid to become a Business Rates Pilot area for 2018/19. In becoming part of a Pilot area, the council has agreed to forego Revenue Support Grant in return for retaining a higher share of business rates. The Pilot will see business rates generated in Kent retained in Kent. The 50% of the estimated business rates aggregate that would have previously been returned to HM Treasury will be distributed as per the next diagram to help Kent Authorities increase financial stability, respond to the pressures on services resulting from population and business growth, and drive future housing delivery and commercial growth. Growth in business rates above the baseline amount for each authority will be continue to be directed by the mechanism put in place under the Kent Business Rate Pool.
- 3.12.4 As part of the Provisional Settlement announcements, government launched a technical consultation on the future measurement of the relative needs of local authorities as part of its Fair Funding Review. The council will be formulating a response to the consultation, which closes on 12 March 2018. Whilst at this time the outcome of the Fair Funding Review is not known, indications suggest that this may take effect in 20-21 and result in a shift in funding from lower tier authorities (such as Gravesham) to upper tier authorities.

4 GENERAL FUND CAPITAL PROGRAMME

Scheme	2017/18 Original Budget inc C/Fwd £	2017/18 Approved Adjustments £	2017/18 Working Budget £	2017/18 Actual Expenditure Qtr 3 £	Variance £
Sports Pitches	300,000	(300,000)	0	0	0
Redevelopment of former Fleet Leisure Site	2,300,000	(2,300,000)	0	0	0
Customer Contact Platform	6,510	0	6,510	4,187	(2,323)
Young Persons Champion	15,820	0	15,820	0	(15,820)
Older Persons Champion	12,770	0	12,770	6,355	(6,415)
Essential Repairs to Buildings	50,000	255,000	305,000	130,795	(174,205)
Gravesend Cemetery Improvements	22,850	0	22,850	1,268	(21,583)
Local Growth Fund Projects (LEP Funded)	0	57,860	57,860	38,034	(19,826)
Town Pier Pontoon	0	84,000	84,000	0	(84,000)
Parrock St Car Park - Toilet Block (Provision)	34,220	(34,220)	0	0	0
Purchase of Vehicles (DSO Fleet)	242,330	47,600	289,930	80,851	(209,079)
Decrim Account - hardware and software	15,010	0	15,010	15,100	90
Refuse Vehicles - Waste Collection Scheme	675,000	0	675,000	670,638	(4,362)
Wheeled Bins - Waste Collection Scheme	462,000	0	462,000	464,518	2,518
Replacement Playground Programme	0	100,000	100,000	0	(100,000)
Property Acquisition Programme	0	10,000,000	10,000,000	1,750	(9,998,250)
Market Refurbishment	0	82,350	82,350	0	(82,350)
Queen Elizabeth II Statue	0	225,000	225,000	210,145	(14,856)
IT Equipment Review	0	121,500	121,500	0	(121,500)
General Data Protection Regulation (GDPR) Software	0	50,000	50,000	0	(50,000)
Virtual Desktop Infrastructure Software	0	110,250	110,250	0	(110,250)
	4,136,510	8,499,340	12,635,850	1,623,640	(11,012,209)

Table 5: General Fund Capital Programme 2017/18

4.1 The approved General Fund Capital Programme for 2017-18 is largely a continuation of the schemes approved in 2017/18 and previous years. As at Quarter 3 the 2017-18 working budget has been adjusted for the below projects:

- **Sports Pitches** – removed from the Capital Programme as there are no immediate plans for the use of this funding. The funding remains separately identifiable as an earmarked capital receipt and once a scheme is established, the funding will be drawn upon.
- **Brookvale Office Accommodation** - the accommodation project is progressing at a slower pace than was previously expected; as a result the capital scheme has been moved into the 2018-19 Capital Programme.
- **Fleet Leisure** – on 12 June 2017, Cabinet agreed that the arrangements to develop the land at the site would be at no further cost to the council so the project has been removed from the capital programme. The Council is seeking expressions of interest from suitable organisations for the development of the site for sport and leisure purposes and has now advertised this opportunity through the Kent Business Portal and with the wider European community.
- **Town Pier remedial works** – Emergency works are required to the supporting timbers of the Pier. The tenant is liable for these works and the cost to the council is expected to be reimbursed in full.
- **Queen Elizabeth II Statue** - The cost of the Queen Elizabeth II Statue has been externally funded and it is anticipated that the statue will be unveiled in late Spring 2018.

- **Market Refurbishment** - Completion and handover of the main Market Hall took place on 25 November 2016. Handover of the Old Fish Market works took place in March 2017. Post completion of the refurbishment, there has been a lengthy negotiation towards agreeing the final account. A final offer has been put to the contractor to settle the account. If accepted, the final account for the Market capital scheme will exceed the last reported budget by £82,350. The capital budget has been amended to include this settlement and the additional cost will be met from match funding which has been held for the project and the application of capital grants unapplied.
- **General Data Protection Regulation Software** - The EU General Data Protection Regulations (Reg (EU) 2016/679) (GDPR) come into effect from 25 May 2018 and place enhanced requirements on the council with regard to data protection. The acquisition of the software package will assist with GDPR compliance with regard to unstructured data.

4.2 The IT Strategy contained a theme of modernisation and one of the identified projects was to improve the provision of computing resources to staff, ensuring that work could be undertaken securely from any location using tools that were suitable for officer's needs. The project was split into two discrete but complementary parts, the first to provide the Infrastructure and software that is needed, the second to undertake a review of officer requirements for equipment.

- **The Virtual Desktop Infrastructure software** has addressed the infrastructure by scaling up the existing Citrix remote working system so that it can cater for a larger number of users and virtual desktops, as well as introducing the Citrix Workspace suite to enhance remote working and collaboration.
- **The IT Equipment review** is identifying the types of devices that officers require in order to carry out their duties and is widening the choice of devices to include thin client devices, Microsoft Surface devices and iPads. As well as giving staff the ability to work effectively and flexibly it also gives the Council additional options further down the line of reviewing hot desking, remote and home working which could lead to the release of further space within the Civic Centre.

4.3 An update on each of the Original General Fund capital schemes is provided below:

4.3.1 **Customer Contact Platform** – The project is now complete with the unused capital funding going towards licensing connector costs; these payments have been treated as revenue expenditure.

4.3.2 **Younger and Older Persons Champion** – the budget for a number of projects was carried forward from 2016/17. Rosherville Play Equipment has been installed and the invoice will be paid shortly. A match-funding project has been established with Age UK to fund refurbishment of the bathroom at their centre in Gravesend. The work for the Riverside Walking trail is now complete and there was an underspend of £917. A payment has been made for furniture for The Golden Girls.

4.3.3 **Essential Repairs to Buildings** – some additional works to the window refurbishment contract have needed to be incorporated in order to leave sliding doors fully operational. The works are now complete and the final cost was £88,815. Last financial year £284,000 was approved by management team to cover the concrete repairs and redecoration of the Civic Centre. As of writing, £258,400 has been paid to the contractor. The final account is currently being calculated, but the consultant has identified a number of queries which officers are currently awaiting resolution of, so there is currently no update upon the final contract sum. The consultant fees for

the above concrete repairs were also paid from the capital programme and this position remains unchanged - to date £7,500 of the £10,500 set aside has been paid, with no further payments being processed until the final account has been settled.

- 4.3.4 **Gravesend Cemetery Improvements** - The new cemetery software has now been ordered and installation is currently underway.
- 4.3.5 **Local Enterprise Partnership Projects (LEP Funded)** – Wayfinding is one of the schemes funded by the ‘Local Sustainable Transport Fund’ (LSTF) from the Local Enterprise Partnership which KCC bid for and manages. These schemes contribute towards the provision and enhancement of sustainable forms of transport. The Wayfinding scheme is funded 100% by the LSTF and is intended to help visitors who are unfamiliar with the town find their way around and to show the range of attractions on offer. It also provides historical and cultural information which is of interest to both new visitors and local residents. Following the successful implementation of Phase 1 last year, a further £50,000 has been awarded for the implementation of a second phase in the current year. The consultant who developed the initial strategy and phase for Gravesham has been appointed to deliver this year’s works which will extend the pedestrian signing to and from Windmill Hill and Canal Basin.
- 4.3.6 **Purchase of Vehicles (DSO Fleet)** - The vehicles required for the coming year have been identified and orders have been placed. The working budget has been adjusted to reflect the 2017/18 need for replacement of vehicles; there are sufficient funds available to fund this increase in the DSO Fleet replacement reserve.
- 4.3.7 **Decriminalisation** – The hardware and software has been purchased and the system has now gone live.
- 4.3.8 **Waste Collection Scheme** - During Quarter three the latest phase of the bin roll out was completed, which included the payment of the wheelie bins and refuse vehicles.
- 4.3.9 **Replacement Playground Programme** – this budget will be used to update the play equipment at Cascades Leisure Centre, procurement for the new equipment and installation is currently underway.
- 4.3.10 **Property Acquisition Programme** – In June 2017, Full Council gave approval for a further £10m of investment balances to be made available for purchases under the council’s existing Property Acquisition Strategy. Activity has commenced to identify suitable opportunities for consideration by the Property Acquisitions Cross Party Working Group. The first Acquisition should be completed within the first month of the next quarter.

4.4 Capital Resources

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

General Fund Capital Resources	Opening Balance 01/04/2017 £	Projected Income 2017/18 £	Use of Funding 2017/18 £	Projected Balance 31/03/2018 £
Capital Receipts	(1,109,730)	(6,670)	201,440	(914,960)
S106 Capital Contributions	(198,860)	(50,000)	124,370	(124,490)
Capital Grants unapplied	(1,256,830)	(483,370)	1,218,470	(521,730)
Total Capital Resources	(2,565,420)	(540,040)	1,544,280	(1,561,180)

Table 6: General Fund Capital Resources 2017/18

Capital Grants Unapplied	Opening Balance 01/04/2017 £	Projected Income 2017/18 £	Use of Funding 2017/18 £	Projected Balance 31/03/2018 £
Performance Reward Grant	(127,930)	0	15,010	(112,920)
Public Realm Improvement & Maint Funds	(89,170)	(124,370)	0	(213,540)
Disabled Facilities Grants (Housing GF)	(377,500)	0	377,500	0
Transport Quarter Stage 3	(500,150)	0	359,880	(140,270)
Localised Council Tax Support	(89,220)	0	89,220	0
Coastal Communities Market Capital	(10,000)	0	10,000	0
Local Enterprise Partnership Funding	(7,860)	(50,000)	57,860	0
Land at South of Hever Court Road	(55,000)	0	0	(55,000)
Queen Elizabeth Statue Contributions	0	(225,000)	225,000	0
Town Pier Timber Deck Contribution	0	(84,000)	84,000	0
Total Capital Grants Unapplied	(1,256,830)	(483,370)	1,218,470	(521,730)

Table 7: Capital Grants Unapplied 2017/18

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

S106 Developer Contributions	General Fund £	HRA £	Third Party Contributions £	Total S106 Income 2017/18 £	Purpose of S106
Leith Park Road Development	0	(5,680)	0	(5,680)	Originally paid by developer in lieu of providing affordable housing units at Leith Park Road. Originally received £310,000. Balance of monies need to be spent by June 2017. This has now been used and will be drawn down in 2017/18.
Infrastructure Maintenance Depot (IMD) Compensation fund	(2,594)	0	0	(2,594)	This grant fund was established by money secured from Union Rail the developers of the Channel Tunnel Rail Link. The original contribution was £242,000. Its aim is to support the delivery of landscape access, wildlife and recreation schemes in the Wards and Parishes affected by the development.
Land at the South of Hever Court Road	0	0	(80,000)	(80,000)	Highways contribution.
Springhead Quarter	0	(250,000)	0	(250,000)	Provision or major upgrade of affordable housing.
Whitehill Road Open Space	(52,000)	0	0	(52,000)	Towards qualitative improvements to the wider Whitehill amenity space. These funds might be put towards a number of potential opportunities including, for example, new seating, footpath improvements, new planting and/or the levelling of the retained amenity space to the north of the proposed development.
Land South of Dalefield Way, Dering Way	(69,900)	0	0	(69,900)	Flood Risk Management - £12,000, Bus Shelter - £5,000, Air Quality Contribution £2,900. £50,000 Cascades Leisure Contribution.
Whitehill Road	0	0	(1,000)	(1,000)	Highways contribution
Invicta House	0	0	(4,695)	(4,695)	Strategic Access Management and Monitoring contribution.
SAMM Contribution	0	0	(18,799)	(18,799)	The EU Directive regarding Bird Disturbance on the North Kent Marshes requires us to collect these monies from developers of new dwellings. They are to be held alongside, but separate from normal s106 monies.
Total S106 Contributions	(124,494)	(255,680)	(104,495)	(484,669)	

Table 8: S106 Contributions 2017/18

5 HOUSING REVENUE ACCOUNT

5.1 Budget 2017-18

5.1.1 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 31 December 2017.

5.1.2 Whilst the budgeted transfer from reserves has not changed to that which was presented as part of the budget setting papers, it should be noted there has been some minor amendments to the original budget split across the various headings. This is as a result of the ongoing work undertaken by Finance to develop the HRA budget as reported to the Finance and Audit Committee on 13 June 2017.

5.1.3 There is a net total positive variance is £6.01 million at the end of Quarter Three.

Description	Original Budget 2017/18 (£)	Forecast 2017/18 (£)	Variation (£)
Supervision and Management	5,437,640	4,970,290	(467,350)
Repairs and Maintenance	8,020,580	7,451,580	(569,000)
Depreciation	5,968,125	6,619,310	651,185
Supporting People Fund - Expenditure	759,770	759,770	0
Capital Finance	11,801,775	6,139,750	(5,662,025)
Sub Total Expenditure	31,987,890	25,940,700	(6,047,190)
Rents of Dwellings	(25,473,500)	(25,513,200)	(39,700)
Other Rental Income	(23,210)	(23,210)	0
Service Charges	(1,314,400)	(1,314,400)	0
Non Dwelling Income	(257,400)	(257,400)	0
Supporting People Fund -Service Charge Income	(295,300)	(295,300)	0
Supporting People Fund - Grant	(266,820)	(266,820)	0
Other Income	(457,740)	(390,740)	67,000
Sub Total Income	(28,088,370)	(28,061,070)	27,300
Contributions to/(from) reserves	(3,899,520)	2,120,370	6,019,890
Net Surplus/Deficit	0	0	0

5.1.4

Table 9: Housing Revenue Account Projected Outturn 2017/18

5.2 Reported Variances

5.2.1 **Vacancy Management: £427k favourable variance** – the staffing budget for 2017/18 incorporates a vacancy allowance of £100,000 for the year. It is anticipated that this is delivered through effective management of vacant posts and the staffing establishment as a whole. Linked to this, a staffing review has been conducted in the Repairs & Maintenance Team following the implementation of the One Serve system as this has resulted in a change in working practices. The current year-end projection is an underspend of £527,000, which therefore gives rise to the net favourable variance of £427,000.

- 5.2.2 **PV Panels: £86k net adverse variance** – following the decision by Cabinet in January 2017, the sale of PV Panels to Empower Community Management LLP completed on 17 November 2017. This capital receipt is shown in the Capital Resources table (Table 14). There are various impacts on the HRA budget including a saving of £19,000 against the PV Panel repair budget, a loss of £108,000 against the FIT income budget and an additional £3,000 for interest on HRA balances.
- 5.2.3 **Caretaker Rents: £42k favourable variance** – following the restructure of the Sheltered Housing elements of the Housing department there is a resulting favourable saving of £42,453.
- 5.2.4 **Depreciation: £651k adverse variance** – the depreciation charge in the original budget build was based on the 2016/17 actual charge derived from the value of the council's housing stock at that time. However, during year end the housing stock was revalued which resulted in an increase in valuation of 8.5% and a social housing factor adjustment of 1%. This has resulted in a higher depreciation charge for 2017/18 for housing stock. The depreciation charge is recycled through the Major Repairs Reserve and used as a funding source for future capital works.
- 5.2.5 **Other Income: £38k favourable variance** – In 2016/17 two grants were received from Kent Fire towards sprinkler work at Carl Ekman House and The Hive. Works on Carl Ekman House were completed in 2016/17 but the works at the Hive are to be completed in 2017/18. The grant was rolled forward into this financial year to cover the cost of the capital works.
- 5.2.6 **Repairs & Maintenance: £569k favourable variance** – Since March 2016, the Responsive Repairs team have undertaken significant changes to ensure the provision of an equitable service that meets the council's objectives as a landlord as well as meeting tenant's expectations. The changes in management, systems, procedures and processes, as considered and agreed during the Overview Scrutiny Topic Review process, are likely to result in an underspend of around £550,000 by year end. However, it is important to remember that the team provides a responsive service and external influences could significantly change this projection between now and year end. This is in addition to the previous reported variance of £19,000.
- 5.2.7 **Capital Finance: £5.30m favourable variance** – as part of the ongoing work to review the HRA budgets, clarification has been sought on the application of RTB Debt Repayment Reserve. Part of the capital receipt generated from the sale of Council Houses has been permitted to be set aside for the repayment of debt or to be used in the funding of the new build programme. Given it is a capital funding resources, it is preferable to use this to part fund the new build works as opposed to using a revenue contribution or a revenue reserve. In the original budget, there was a revenue contribution of £5,383,300 but given the proposed switch in funding, this is to be removed.

Works to the sprinkler systems at Carl Ekman House and The Hive will increase the capital financing requirement by £38k, though this is offset by the grant funding from Kent Fire referenced in the paragraph above.

- 5.2.8 **Interest Paid: £365k favourable variance** – the HRA's budgeted proportion of the authority's total interest charges was based on an assumption that additional debt would be taken on during 2016/17. As this was not the case interest charges are lower than original forecast and consequently the HRA's share has also reduced resulting in an anticipated saving of £364,720.

5.2.9 **Other Minor Variances: £34k favourable variance** – there are a number of minor variances within the HRA; the net effect of these variances is £34,000.

5.3 Other Variances and Risks not reflected in the Current Budget

5.3.1 Government has indicated that the forced sale of higher value local authority housing to fund the Right to Buy Pilot for housing association tenants will be delayed for a further year.

5.3.2 Government has also indicated an intention to change the way in which Supported Housing is funded, with separate arrangements for sheltered housing, short-term supported housing and long-term supported housing. In future, landlords will be expected to set rents and service charges in sheltered housing based on a new 'sheltered rent' set by government that, in effect, will also be used to cap housing benefit and the housing element of universal credit. Short-term supported housing will be funded through a new locally administered grant. Long-term supported housing will be funded largely as is now.

5.4 Working Balances and Reserves

5.4.1 The variances against the Original Budget within Sections 5.2 have the following effect upon the Housing Revenue Account working balances:

Working Balances	£
Balance Brought Forward from 2016/17	3,000,000
Variances per budget report	2,120,370
Forecast working balances C/Fwd (as at 30 Sept 2017) including minimum HRA Working Balance	5,120,370
Less: Transfer to HRA General Reserve (Revenue)	(2,120,370)
Forecast Usable Working Balances C/fwd (as at 30 Sept 2017)	3,000,000

Table 10: Effect on Housing Revenue Account Working Balances

5.4.2 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 01/04/2017 £'000	Forecast Use of Reserve (Expenditure) £'000	Forecast Contributions (Income) £'000	Forecast Balance 31/03/2018 £'000
HRA General Reserve (Revenue)	(4,620)	0	(2,120)	(6,740)
Total	(4,620)	0	(2,120)	(6,740)

Table 11: Analysis of Specific Reserves – HRA

5.5 HRA Business Plan

- 5.5.1 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 latest version of the HRA Business Plan is attached to this report at Appendix Three.

6 HOUSING CAPITAL PROGRAMME

- 6.1 The Housing Capital programme for 2017/18 totals £14,770,770 of which £13,351,020 relates to HRA capital schemes and £1,419,750 relates to non-HRA capital schemes.
- 6.2 These budgets include £338,480 and £377,500, respectively that have been carried forward from 2016/17. The HRA capital schemes continue to focus on the minimum Decent Homes Standard for the Council's stock, with £5,464,540 earmarked for this purpose in 2017/18. The council have continued its commitment to build new homes with £6,039,310 allocated for this purpose.

HOUSING CAPITAL PROGRAMME				
Ref No:	Project	Budget 2017-18 (£)	Expenditure (£)	Variation (£)
A	Decent Homes	5,464,540	2,981,050	(2,483,490)
B	Health & Safety	1,464,630	930,950	(533,680)
C	Minor / Other Works	562,540	383,900	(178,640)
D	New Build	6,039,310	4,205,010	(1,834,300)
	Sub Total (HRA Capital Programme)	13,531,020	8,500,910	(5,030,110)
E	Disabled Facilities Grant	1,138,500	484,280	(654,220)
F	Southfield Shaw Capital Works	24,000	484,280	460,280
G	Op Services Scheduling System	0	62,780	62,780
H	Virtual Desktop Infrastructure	36,750	0	(36,750)
I	IT Equipment Review	40,500	0	(40,500)
	Total (HRA & GF Capital Programme)	14,770,770	9,532,250	(5,238,520)

Table 12: Housing Capital Programme 2017/18

- 6.3 Several contracts ended on 31 March 2016 and were re-tendered with new contractors being appointed in accordance with the framework. This resulted in a minor delay in the development of the work programmes and agreeing the final specifications. The works undertaken in Q3 are details below:
- **Decent Homes (Ref A)** - the following works have already been completed or are in progress:
 - 61 kitchen replacements have been completed, with another nine in progress and an additional 8 planned
 - 19 bathrooms have been replaced, with another 8 planned
 - 90 properties have had window/door replacements with a further 3 either in progress or planned
 - Energy Efficiency - 256 central heating systems were installed and another 100 are in progress/planned
 - Electrical works – 634 electrical tests have been completed and where applicable, remedial works have been carried out, including upgrades to consumer units and rewiring

Across the Decent Homes programme, savings of £715k is expected to be achieved as at the end of the Financial Year. Schemes within the Decent Homes Programme that are contributing to this saving are £75k on External Wall Insulation, £200k on the Roofing Programme, £40k on Gravesham and Homemead Heating, £100k on the Structural Repairs Programme and £300k on Energy Efficiency Improvements.

- **Health And Safety (Ref B)** - the following works have been completed:
 - Phase one of the project to install a fire sprinkler system at 21-62 The Hive is complete with phase two of the project approximately 80% complete.
 - Warden call/door entry and fire detection systems have been installed/ upgraded to 5 sites, Blenheim Grove, St Gregory's Court, Longferry Court, Portreeve Court and Claremont Place
 - 2 passenger lifts have been refurbished with a further 3 lifts in the progress of refurbishment in Wallis Park, Portreeve Court and Cleveland House

A recent report in relation to the Structural Repairs Programme had a positive outcome as to the condition of our stock, leading to the crystallisation of £100k due to works not needing to be carried out.

- **Minor/Other Works (Ref C)** - the following works have been completed:
 - Disabled Adaptations - 52 properties had level access showers/ wet rooms installed and another 20 are planned or in progress
 - 8 lifts have been installed with a further 6 adaptations being completed

6.4 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 and/or acquisition of additional social housing (**Ref D**).

- The Tooley Street scheme of two units is completed and allocated.
- The Farlow Close scheme comprising of five units has completed and all homes being allocated via the housing register.
- Following the tender process, a contractor has been appointed to the construction of Packham Road (ten units). The contractors were on site as reported in Q2, however there has been a delay to works due to improving the accessway for the construction vehicles in order to further reduce any potential impact on the local residents. The demolition and hoarding of the site will recommence in early January with construction following on from this.. To date, the council has purchased 24 properties from the market with offers accepted on a further five properties.
- Planning permission has been received to refurbish the former Kings Farm Estate Office. Invitations to tender have also been expressed with a tender return date of 10 January.

- The planning application for a scheme comprising of 17 new homes on Council owned land at St Hilda's Way have been agreed. The Council has entered into a Unilateral Undertaking and planning conditions are being drafted with an expected permission date of 12 January 2018.
 - A planning application has been submitted for 24 x 1 and 2 bed apartments and 8 x 3 bed houses for the redevelopment of Whitehill and Nansen Road.
- 6.5 The council is permitted to retain part of the RTB receipts to repay the debt incurred in 2012 as part of HRA self-financing. As at 1 April 2017, the balance on the RTB Allowable Debt reserve fund stood at £3,212,880. The proposal is to use the RTB Allowable Debt reserve to help fund the New Build projects as this can either be used to repay debt or finance the capital programme. This will ensure that the revenue surplus being generated can be moved to a general HRA reserve available for future use against either revenue or capital and that monies are only borrowed once all available resources have been utilised.
- 6.6 Table 13 summarises the one for receipts retained from the sale of Right To Buy properties, since 2012, along with the level of GBC's contributions required to deliver the New Build programme and a summary of when expenditure needs to be delivered to avoid having to return funds to Central Government.

	One for one receipts retained	GBC 70% contribution to new build	Value of new build expenditure expected	Cumulative value of new build expenditure expected	Date of new build expected by
2012-13	£	£	£	£	
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	205,200	478,790	683,990	19,437,350	30-Sep-19
Q3	541,710	1,263,990	1,805,710	21,243,060	31-Dec-19
Q4	532,670	1,242,890	1,775,560	23,018,620	31-Mar-20
2017-18					
Q1	351,150	819,350	1,170,500	24,189,120	30-Jun-20
Q2	296,150	691,017	987,167	25,176,287	30-Sep-20
Q3	730,465	1,704,418	2,434,883	27,554,481	31-Dec-20
Total	7,552,890	17,623,377	25,176,287		

Table 13: New Build

- 6.7 **Disabled Facility Grants (Ref G)** – Good progress continues to be made regarding the administration of Disabled Facilities Grants. There are currently 88 cases live cases being worked on by the Housing Department. Of these, 22 cases have grant approved and the remaining 62 cases are being progressed toward the approval stage.

Including the rolled over amount of £377,495 from 2016 / 17, the total DFG budget for the current year is £1,131,500. The combined total expenditure and committed funds to date is £713,046 and with the anticipated progress on the outstanding cases, the remaining budget of £418,454 is expected to be fully expended/committed by the end of 2017/18.

6.8 Capital Resources

6.8.1 The table below shows the resources available to fund capital projects in future:

Housing Capital Resources	Opening Balance 01/04/2017 (£)	Projected Income 2017/18 (£)	Use of Funding 2017/18 (£)	Projected Balance 31/03/2018 (£)
Capital Receipts - HRA	(961,720)	(253,000)	101,250	(1,113,470)
Capital Receipts - GF Housing	(12,520)	0	0	(12,520)
Capital Receipts - PV Panels (estimated)	0	(3,573,000)	0	(3,573,000)
Major Repairs Reserve - Dwellings	(1,476,900)	(6,430,410)	7,743,710	(163,600)
Major Repairs Reserve - Non Dwellings	(244,340)	(180,240)	0	(424,580)
New Build Reserve: 1-4-1 Receipts	(5,354,970)	(1,016,620)	1,811,800	(4,559,790)
Right to Buy Allowable Debt Reserve	(3,212,880)	(814,400)	3,899,510	(127,770)
Disabled Facility Grants	(377,500)	(799,010)	1,176,500	0
Christianfields Overage	(766,000)	0	0	(766,000)
Total	(12,406,830)	(13,066,680)	14,732,770	(10,740,730)

Table 14 HRA and General Fund Housing Capital Resources 2017/18

Please note this table does not include the specific grant of £38,000 as this is revenue resource.

7 TREASURY MANAGEMENT

- 7.1 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 21 February Full Council approved the Treasury Management Strategy Statement for 2017-18, 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
- 7.2 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.
- 7.3 A full list of internally managed investments held by the Council at 31 December 2017 can be found at Appendix Four of this report.
- 7.4 The following summary of Key economic developments within this reporting period has been provided by Link Asset Services (formerly Capita Asset Services), the authority's Treasury Management :
- 7.5 **UK** - After the UK economy surprised with strong growth in 2016, growth in 2017 was disappointingly weak in the first half of the year; growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure.
- 7.6 However, growth picked up in quarter three and in quarter four there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole. Growth in quarter 4 is expected to be around 0.4% again which would see annual growth in 2017 coming in at around 1.7 – 1.8%, almost as strong as the recently upwardly revised figure for 2016 of 1.8%, (which meant that the UK was equal to Germany as having the strongest GDP growth figure for the G7 countries in 2016).
- 7.7 The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in its words warning that Bank Rate will need to rise. Recent Bank of England Inflation Reports have flagged up that they expected CPI inflation to peak at just over 3% in late 2017, before falling back to near to its target rate of 2% in two years' time. Inflation actually came in at 3.1% in November. The reason why the MPC became so aggressive with its wording in September and November around increasing Bank Rate was due to an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a

point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

- 7.8 It was therefore no surprise that the MPC increased Bank Rate by 0.25% to 0.5% in November. However, their forward guidance of two more increases of 0.25% by 2020 was viewed as being more dovish than markets had expected. However, some forecasters are flagging up that they expect growth to improve significantly in 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weaker services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on more than one increase in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.
- 7.9 **EU** - Economic growth in the EU, (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was only 1.2%. It is therefore unlikely to start on an upswing in rates until possibly towards the end of 2019.
- 7.10 **USA** - Growth in the American economy has been volatile in 2015 and 2016. 2017 followed that path again. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1% in November, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started raising interest rates with four increases since December 2016 to lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. In October, the Fed became the first major western central bank to make a start on unwinding quantitative easing by phasing in a start to a gradual reduction of reinvesting maturing debt.

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

IMPLICATIONS		APPENDIX I
Legal	There are no specific legal matters arising from this report.	
Finance and Value for Money	The financial implications are contained within the body of this report.	
Risk Assessment	The purpose of this report is to demonstrate financial performance as at 31 December against the original budget set for the 2017/18 financial year, and illustrate how this affects the Working Balances and Earmarked Reserves held by the Council.	
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 adults	No direct implications	