

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Cabinet
Finance & Audit Committee

Date: 25 June 2018/24 July 2018

Reporting officer: Assistant Director (Corporate Services)

Subject: Provisional Outturn Report 2017/18

Purpose and summary of report:

To present:

- The 2017/18 provisional General Fund Revenue Outturn and movements in the General Fund working balances and earmarked reserves
- The 2017/18 provisional General Fund Capital Outturn
- The 2017/18 provisional Housing Revenue Account Revenue Outturn and movements in the Housing Revenue Account working balances and earmarked reserves
- The 2017/18 provisional Housing Revenue Account Capital Outturn

Recommendations:

1. This report is for information only.

1. INTRODUCTION

- 1.1. The Constitution of the Council requires Members to receive reports in respect of the Council's finances and financial performance. This report provides details of the provisional budget outturn for the 2017/18 financial year and complements the 2017/18 Financial Statements for the authority which will be subsequently considered by the Finance & Audit Committee.
- 1.2. During 2017/18 the Council continued to operate robust budgetary control actions to ensure good financial governance and respond to the pressures on the Council's finances. In addition to the reporting of financial performance through regular budget monitoring reports, these actions have included:
 - Requiring all financial decisions and major acquisitions to be brought to Management Team for discussion and approval;
 - Appropriate controls in approving purchase orders;
 - Requiring recruitment activity (relating to both permanent and temporary appointments, and including use of overtime) to be considered and approved by Management Team;
 - Monitoring the delivery of activity under the council's *Bridging the Gap* Strategy, as set out in the current Medium Term Financial Strategy (MTFS).

2. EXECUTIVE SUMMARY

General Fund (Revenue)

- 2.1. The provisional outturn position for the year was an underspend of £945,890. This was generated primarily due to action taken by the council during the year to realise base budget reductions through the delivery of *Bridging the Gap* activity. Action to manage vacancies and other workforce matters resulted in employee-related costs being lower than originally anticipated and in-year pressures were effectively managed. The Council also benefitted from growth in the level of business rates retained, primarily as a result of the Council being part of the Kent Business Rates Pool. These contributed to a reduced need to call on the Council's Working Balances, with the level of Working Balances at year end at £7.31m (subject to audit), constituted of the minimum working balances of £1.25m, the General Fund reserve of £2m and usable Working Balances of £4.06m.
- 2.2. Movements in the year have provisionally resulted in a net increase in reserves of £0.44m, with the level of reserves being £7.06m at start of year and projected to be £7.50m at year end.

General Fund (Capital)

- 2.3. The final outturn of the General Fund Capital Programme for the year was £4.40m, against budgeted expenditure of £13.74m. Capital budgets totalling £9.29m have been carried forward to 2018/19, principally relating to the Council's Commercial Property Acquisition Strategy.

HRA (Revenue)

- 2.4. At the end of the financial year, income and expenditure was balanced. Main movements from the original budget for the year related to a change in funding source for the New Build/Acquisition programme, effective management of vacant posts higher than expected income from rents and non-dwelling fees and charges and work undertaken during the year to improve the efficiency and effectiveness of the repairs and maintenance function.
- 2.5. The level of Working Balances at year end remained at £3.0m, the minimum level of Working Balances for the HRA. Movements in the year resulted in a net increase in the General HRA Reserves of £2.82m, with the level of reserves being £4.62m at start of year and projected to be £7.44m at year end.

Housing Capital

- 2.6. The final outturn of the Housing Capital Programme for the year was £13.35m, against budgeted expenditure of £14.77m.

3. GENERAL FUND (REVENUE)

3.1. Budget 2017/18

- 3.1.1. The approved Original Budget Requirement for 2017/18 was £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 provisional General Fund outturn against the Original Budget is presented in the table below. It should be noted that headings for directorates, reserves and transactions below the line have been adjusted to neutralise the effect of year-end accounting entries such as depreciation, and incorporate the correct accounting treatment for reserves and grant income. As a result, the table may not be directly comparable to previous budget monitoring reports.
- 3.1.3. The original budget requirement upon which 2017/18 council tax levels were originally set remains unchanged, and all other lines only include variances which CIPFA funding regulations permit to be levied against council tax and business ratepayers.

Directorate / Budget Heading	Original Budget 2017/18 (£)	Outturn 2017/18 (£)	Variation 2017/18 (£)
All Directorate - Salaries	9,830,300	9,494,710	(335,590)
Chief Executive	(123,270)	(125,050)	(1,780)
Communities	(4,980,070)	(5,661,870)	(681,800)
Corporate Services	2,601,700	2,149,880	(451,820)
Environment & Operations	1,449,480	1,522,230	72,750
Housing & Regeneration	497,880	294,950	(202,930)
Non-Directorate Specific	1,097,280	1,097,280	0
Interest and Investment Income	(461,390)	(615,030)	(153,640)
Government Grant Funding	(386,690)	(882,550)	(495,860)
Transfers to/ (from) reserves	(906,030)	503,070	1,409,100
Transfers to/ (from) balances	1,635,910	1,635,910	0
Transactions below the line	2,948,970	2,948,970	0
BUDGET REQUIREMENT	13,204,070	12,362,500	(841,570)
Business Rates Income	(2,942,880)	(3,041,160)	(98,280)
Council Tax Income	(6,386,320)	(6,386,320)	0
Parish Precepts	(298,560)	(298,560)	0
New Homes Bonus	(1,426,000)	(1,432,040)	(6,040)
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	(945,890)	(945,890)

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

3.2. ALL DIRECTORATE – SALARIES

- 3.2.1 **Staffing: £335k favourable variance** – the council continued through the year to maintain a close analysis of staffing budgets through regular monitoring to Management Team and effective management of vacant posts and the staffing establishment. The budget for 2017/18 incorporated a vacancy allowance of £350k; the year-end position was an underspend of £685k, giving rise to the net favourable variance of £335k.

3.3. CHIEF EXECUTIVE’S DIRECTORATE – £2k FAVOURABLE VARIANCE

- 3.3.1. Minor variances delivered a favourable net effect of £2k across the directorate.

3.4. COMMUNITIES DIRECTORATE – £682k FAVOURABLE VARIANCE

- 3.4.1. **Acquisition of St John’s House, Dartford: £164k favourable variance** – during the early part of 2016 the council set aside £10m of its cash balances to acquire commercial property that will deliver ongoing revenue income streams. In February 2017, the council completed its third acquisition, St John’s House in Dartford, which led to additional net income in 2017/18 of £164k.
- 3.4.2. **Legal Shared Services: £120k favourable variance** – as part of *Bridging The Gap* activity identified within the MTFs, the council established a shared service with Medway Council for legal services from April 2017. This produced a positive effect to the Council’s Medium Term Financial Plan (MTFP) of £87k. Additionally, there was a reduced contribution payable to Medway Council of £33k for 2017/18, largely resulting from staffing vacancies within the service. The overall net favourable variance for 2017/18 was, therefore, £120k.
- 3.4.3. **Building Services: £92k favourable variance** – following activity to refine budgetary arrangements including analysis of historic items held on the balance sheet, £92k relating to building services was released into revenue, generating a positive effect to the Council’s MTFP in 2017/18.
- 3.4.4. **The Woodville: £76k favourable variance** – additional income compared to the original budget was generated in 2017/18, largely due to an overall increase in ticket sales and private hire income, higher margins in bars and catering and an uplift in booking fees. Reductions in costs were also made through renegotiating prices for supplies e.g. catering. The overall net effect of this was a favourable variance of £76k. Carry-forward requests to utilise this surplus for reinvestment in improvements works and equipment planned for 2018/19 have subsequently been agreed.
- 3.4.5. **District Shopping Centres: £72k favourable variance** –higher income received from District Shopping Centres, a general re-alignment of income budgets and a reduced bad debt provision requirement produced a net favourable variance across District Shopping Centre budgets of £72k in 2017/18.

- 3.4.6. **CCTV Partnership: £54k favourable variance** – as part of the Service Review workstream of the *Bridging the Gap* activity, proposals were developed to enhance the existing shared CCTV partnership. This was achieved by reducing both 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 part-year saving which, when combined with other minor variances across the service, has resulted in an overall positive effect for 2017/18 of £54k.
- 3.4.7. **Communications: £46k favourable variance** – during 2017/18 advertising and sponsorship income was greater than anticipated and higher than in any previous year. For both The Woodville and other council services, traditional advertising methods (newspapers, posters and leaflets) were maintained to ensure all members of the community were reached. Digital promotions through social media, which are both popular and cost effective, reduced overall advertising expenditure whilst simultaneously expanding the audience. Costs were also been successfully renegotiated for public notices, with the net effect of the additional income and reduced expenditure resulting in a favourable variance of £46k.
- 3.4.8. **Events Programme: £36k favourable variance** – as a result of additional income generated through sponsorship and other external contributions, the Council was able to maintain a full programme of events at a reduced net cost compared to the original budget. This led to a positive effect to the Council's MTFP in 2017/18 of £36k.
- 3.4.9. **Environmental Services: £36k favourable variance** – a combination of various underspends across running expense budgets and additional income generated across the service delivered a net favourable variance of £36k.
- 3.4.10. **Reprographics: £34k favourable variance** – during 2017/18 stationery stock and ordering was centralised to reduce expenditure and stock levels held and a new stationery supplier was identified. There were also volume reductions for paper/envelopes purchased across the year, combined with more competitive pricing from suppliers for the stock that was required. The combined effect of these changes resulted in a net underspend of £34k across the service.
- 3.4.11. **Investment Properties: £30k favourable variance** – following activity to refine budgeting arrangements for annual rental income streams from investment properties, additional rental income for 2017/18 of £30k was realised compared to the original budget.
- 3.4.12. **Civic Centre Rental Income: £17k favourable variance** – following the conclusion of negotiations with the NHS regarding the arrangements to rent part of the first floor and basement areas of the Civic Centre, the Council was able to secure additional rental income in 2017/18 of £17k. This will increase to around £40k across future years up to and including 2022/23.
- 3.4.13. **Acquisition of 123-127 High Street, Sittingbourne: £17k favourable variance** – during the early part of 2017/18 the council set aside an additional £10m of its cash balances to acquire further commercial property for securing ongoing revenue income streams. In January 2018, a property in Sittingbourne High Street was acquired which led to additional income in 2017/18 of £17k.

- 3.4.7 **Payroll Shared Services: £10k adverse variance** – from 1st April 2017 the Council entered into an arrangement with Medway Council for shared payroll services. This initially led to a £10k adverse variance, although underspends resulting from staff vacancies within HR more than offset this during the year (staffing is reported for the council as a whole rather than within individual services). The new service has provided non-financial benefits such as greater resilience and self-service capabilities, and has facilitated work leading to the commencement of a shared HR service between the two councils which commenced on 1st April 2018.
- 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. The recommendation made by the IRP was debated and agreed at Full Council in February 2017 and resulted in a budgetary increase of £49k in 2017/18.
- 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 initial occupancy of permanent stall units was encouraging, delays with the final completion of the works and introduction of a café together with a slower than anticipated uptake in pop-ups has had an adverse impact on income. Post-Christmas 2017 there were some changes in occupancy of permanent stall units with some departures and new arrivals, and a long winter and adverse weather had an impact on the Market as with retailing nationally. A restructuring of the Market management team recently took place, with a new Market Co-ordinator appointed to establish the Market further with the development of themed markets and the attraction of new traders. It is hoped that this will lead to an improved financial position in 2018/19.
- 3.4.10 **Altogether Safe Project: neutral variance** – grant funding of £76k was secured from the Home Office during 2017/18 by the Community Safety team. This funding was used to 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: £17k favourable variance** – a number of minor variances were reported within the Communities Directorate; the net effect of these variances was an underspend of £17k.

3.5 CORPORATE SERVICES DIRECTORATE – £452k FAVOURABLE VARIANCE

- 3.5.1 **Housing Benefit overpayments bad debt provision: £315k favourable variance** – although the total level of housing benefit overpayment debt has remained at similar levels to previous reporting periods, both the age profile and individual value of some outstanding debts has decreased. This resulted in a lower bad debt provision being required when compared to the original budget, producing a favourable variance within 2017/18 year. A further review of the bad debt provision requirement, as well as overall analysis of the overpayments budgets will take place as part of the 2019/20 budget-setting process.
- 3.5.2 **Information Technology leasing rentals: £50k favourable variance** – during 2017/18 several existing lease arrangements for IT equipment came to an end. New equipment was purchased outright from equipment budgets resulting in a reduced demand on the leasing budget, leading to the favourable year-end financial position.

- 3.5.3 **Corporate Inflation Provision: £40k favourable variance** – the council holds a central fund for supplies and services inflation within the Corporate Services directorate to act as a safeguard against inflationary increases to contract payments and general supplies and services costs. In 2017/18, there was a reduced call on this compared to the original budget, giving rise to an underspend of £40k.
- 3.5.4 **Central Telephones: £22k favourable variance** – as a result of some telecom equipment rentals coming to an end during 2017/18, a positive effect was generated to the MTFP of £22k.
- 3.5.5 **Internal Audit Shared Service Arrangements: £16k favourable variance** – as part of 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 has entered into this process for 2017/18, leading to additional costs of £8k. There was also a reduced contribution payable to Medway Council of £24k, largely resulting from staffing vacancies and restructuring within the service. The net favourable variance for 2017/18 was, therefore, £16k.
- 3.5.6 **Automated Invoicing & Asset Accounting Projects: neutral variance** – funding from the Corporate Priorities Reserve of £29k was made available during 2017/18 to enhance the council's financial systems. The automated invoicing project will enable supplier invoices submitted electronically to be matched automatically with existing authorised purchased orders without further need for manual intervention, therefore increasing efficiency, accuracy and throughput. Utilisation of the specifically designed asset accounting module within the financial system is intended to provide greater robustness and resilience to this process and help standardise procedures in what is accepted to be a particularly complex and technically demanding area of finance.
- 3.5.7 **Other Minor Variances: £9k favourable variance** – a number of minor variances reported within the Corporate Services Directorate have produced a net underspend of £9k.

3.6 ENVIRONMENT & OPERATIONS DIRECTORATE – £73k ADVERSE VARIANCE

- 3.6.1 **Garden Waste Collection Service: £52k 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, led to surplus income of £52k.
- 3.6.2 **Annual Maintenance of closed Churchyards: £5k adverse variance** – as an outcome of the Service Review process, a requirement was identified to have a dedicated budget to fund maintenance and minor repairs in closed churchyards. The estimated annual provision required was calculated at £5k, which was 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 were required at Fort Gardens leading to an overspend of £6k.
- 3.6.4 **Vehicle Maintenance: £52k adverse variance** – during 2017/18 there were a number of reliability issues with the 2014 Dennis Eagle refuse vehicles, which resulted in much higher maintenance costs than provided for within the original budget. Rectification of defects with these vehicles required the purchase of replacement parts, thus leading to the adverse variance.

- 3.6.5 **Parking Income: £55k adverse variance** – this variance is the result of combination of a reduction in Penalty Charge Notices issued due to vacancies within the enforcement team and a marginal reduction in car parking income received throughout the year.
- 3.6.6 **Controlled Parking Zone & Park Map System: neutral variance** –the Service Review process of Parking Services identified the need to carry out a review of existing Controlled Parking Zone arrangements. Funding from the Decriminalisation and Service Review reserves of £77k was made available to enable this - the work involved engaging an external consultant and developing a project plan, as well as setting up a Park Map system to manage traffic regulation orders.
- 3.6.7 **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 in March 2017, and resultantly funding from the Corporate Priorities Reserve of £20k was released to finance the procurement of a HAV system.
- 3.6.8 **Other Minor Variances: £7k adverse variance** – a number of minor variances were reported within the Environment & Operations Directorate; the net effect of these variances was an overspend of £7k.

3.7 HOUSING & REGENERATION – £203k 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 was 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 Pre-application enquires & Application Fees: £49k favourable variance** – it is difficult to accurately estimate the scale of planning income that will be received over the financial year because the Council only has limited control over the applications that will be submitted. For in-year forecasting, the method most commonly used is to analyse the previous couple of years and use those trends as a basis for the current year. Minor and other applications have comparatively steady volumes each year, the difference is the number and type of majors and these are the components which greatly affect income. The increased income in 2017/18 is largely attributable to a combination of the reserved matters application for Land at Coldharbour Road, combined with the 20% increase in fees from January 2018.
- 3.7.3 **Regeneration – Empty Properties: £30k favourable variance** – due to the availability of external grants and the use of right-to-buy receipts to purchase and bring empty properties back into use, this budget was not required in 2017/18. In future years, this budget will be required for various legal costs, land registry fees and works in default.

- 3.7.4 **General running expenses: £25k favourable variance** – as a result of various underspends on running expenses within the directorate and ongoing activity to refine budgeting arrangements, a year-end favourable variance was realised of £25k.
- 3.7.5 **Southfield Shaw running expenses: £21k favourable variance** –underspends across various premises budgets delivers a positive financial effect to the 2017/18 MTFP of £21k.
- 3.7.6 **Planning Reimbursements: £10k favourable variance** – during 2017/18 a contribution of £10k was received from the London Resort Company as reimbursement for officer resources associated with the Paramount Project. This was not included within the original budget and therefore had a positive effect on 2017/18 finances.
- 3.7.7 **Other Minor Variances: £18k favourable variance** – a number of minor variances were reported within the Housing & Regeneration Directorate; the net effect of these variances was an underspend of £18k.

3.8 ITEMS CARRIED FORWARD FROM 2017/18 – £146k

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

Summary of General Fund 2017/18 year-end carry forward requests				
Directorate	Service	Amount	Reason for underspend in 2017/18	Reason for carry-forward request into 2018/19
Communities	Town Centre Initiatives	£5,580	Budget for museum engagement, the funds were not spent in full as the project is still developing and staffing resources have been limited.	There is an on-going commitment to Museum development activity.
Communities	Central Services	£23,000	Underspend on the training budget due to less training taking place in 2017/18.	Increased expenditure is anticipated due to the Investors in People renewal taking place in 2018/19.
Communities	The Woodville	£55,000	An underspend has been achieved for Woodville in 2017/18 Part of this underspend has been allocated by the Governance Group for use in 2018/19.	£20,000 for the Woodville 50th and £35,000 for reinvestment into Woodville equipment - both contributions have been agreed and approved by the Governance Group.
Communities	The Woodville	£25,700	Part of the Woodville underspend has been set aside to fund future projects which are taking place in 2018/19.	This budget is required for carpet installation in 2018/19.
Communities	Community Engagement	£8,380	A final decision on the community engagement spend had not been agreed by the end of the year.	To pay Age UK for garden tools; DIY tools; café tables and chairs; reception desk and catering equipment. This carry forward will also fund activity equipment for various Scout & Brownie groups.
Communities	Communications	£10,000	There were savings on promotional expenditure across the year for The Woodville and there has been considerable focus on planning and organising the promotional events to celebrate the Woodville's 50th anniversary which predominantly falls in 2018/19. Therefore the number of events and promotions planned for 2018/19 related to the Woodville will naturally be higher than in previous years.	The additional events taking place will require additional promotion. The Woodville will also be the main stage sponsor with the Riverside festival which will require additional marketing activity.
Communities	Community Events	£2,500	The expenditure for some events has come in under budget in 2017/18.	Contribution towards Spitfire flyby event as part of the RAF100 anniversary celebrations
Communities	Public Conveniences	£1,500	Savings were achieved in 2017/18 as a result of the closure of a number of public conveniences. The budgets in 2018/19 have been adjusted to reflect the reduced cost.	A one-off Deed of Surrender payment is required to be made to Meopham Parish Council for ending the lease for the public conveniences earlier than contracted.
Corporate Services	Audit & Performance	£700	The corporate change training budget has been earmarked for expenditure which is likely to take place in 2018/19.	It is anticipated that during the 2018/19 financial year, additional training will be undertaken by the team and therefore this budget will assist in covering these costs moving forward.
Environment & Operations	Parking Services	£2,920	This budget has been earmarked for expenditure which does not take place until 2018/19.	The Controlled Parking Zone review is likely to mean that the signs and lines on the majority of roads within the Town Centre controlled parking zone will need changing in 2018/19.
Environment & Operations	Horticulture Parks, Open Spaces	£3,990	An order has been placed for the felling of a mature oak tree that is in a dangerous condition in Gordon Gardens.	This needs to be carried forward as the amount equates to nearly 30% of the 2018/19 budget for tree works.
Environment & Operations	Cemeteries & Burial Admin	£6,290	Supply of 22 waste bins for Northfleet and Gravesend Cemeteries. The supplier was unable to get them all delivered before the end of March.	This needs to be carried forward as the amount equates to a large percentage of the 2018/19 budget.
Housing & Regeneration	Private Housing Standards	£620	A order was placed for promotional products before the end of the financial year but the goods and invoice are yet to be received.	Insufficient budget available in 2018/19 to meet these additional costs.
Total carry forward requests		£146,180.00		

Table 2: Items Carried Forward from 2017/18

3.9 **INTEREST AND INVESTMENT INCOME – £154k FAVOURABLE VARIANCE**

3.9.1 **Investment Income: £154k favourable variance** – during 2017/18 interest earned on investments was £154k more than originally budgeted, which was due to a number of factors. On 10 October 2017, Full Council agreed to invest £10m in Multi-Asset Funds. Investments in three funds were placed in February 2018 which yielded a return of £71k for the year. Property Funds were budgeted to provide an investment return of 4%, whereas the actual return for the year was 4.13%. This, along with careful management of the remaining investable cash balances, generated surplus income of £83k. Therefore the overall net position for investment income is an additional £154k compared to the original budget.

3.10 **FUNDING STREAMS – £809k ADVERSE VARIANCE**

3.10.1 **Government Grant Funding – Section 31 grants: £496k favourable variance** – see Business Rates Income section below.

3.10.2 **Transfers to/(from) reserves: £1,409k adverse variance** – following re-profiling of the Local Authority Mortgage Scheme (LAMS) reserve, £100k was not released in 2017/18 as initially planned, but instead its release was spread between 2018/19 and 2020/21 to tie-in with mortgage liabilities ending. 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 as well enabling maintenance and upkeep requirements on investment properties.

3.10.3 Following analysis of the overall year-end outturn position, the opportunity has been taken to further assess earmarked reserve balances. Consequentially, £500k has been transferred into the Asset Enhancement Reserve to further assist in meeting obligations arising from the maintenance or development of Council assets. A further £500k has been set aside in an Investment Interest Equalisation Reserve, established to meet any obligations arising from the implementation of IFRS9 or shortfalls in budgeted investment income returns.

3.10.4 Membership of the Kent Business Rates Pool has generated £209k that has been transferred into the NNDR Growth Fund Reserve (see Business Rates section below). Therefore, the overall position for transfers to/from reserves is additional expenditure of £1,409k.

3.10.5 **Business Rates Income: £98k favourable variance** – the final position for Business Rates takes into account the timing constraints of the budget-setting process in relation to completion of the statutory NNDR1 form as well as benefits resulting from membership of the Kent Business Rates Pool. The net of these items is a favourable variance of £98k, with an additional £209k being set aside in the NNDR Growth Fund reserve as described above.

3.10.6 There is a favourable variance of £496k for Section 31 grants received to compensate the Council for various business rate reliefs granted, disclosed within the Government Grant Funding section above. Therefore, the net benefit to the MTFP for Business Rates and Section 31 grants combined is £504k.

3.10.7 **New Homes Bonus: £6k favourable variance** – funding for payments of New Homes Bonus monies are ‘top-sliced’ from the Local Government Finance Settlement, with a commitment that any funding not used is returned to local authorities. The Council received £6k in relation to returned funding for New Homes Bonus monies allocated for 2017-18.

3.11 Working Balances and Reserves

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

Working Balances	£
Balance Brought Forward from 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 as per provisional outturn report	945,890
Working Balances C/Fwd (as at 31 March 2018) including Minimum GF Working Balance	7,305,450
Less: Minimum GF balance	(1,250,000)
Less: Additional General Fund Reserve	(2,000,000)
Usable Working Balances C/Fwd (as at 31 March 2018)	4,055,450

Table 3: Effect on General Fund Balances

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

General Fund Earmarked Reserves	Opening Balance 01/04/2017 £'000	Actual Use of Reserve (Expenditure) £'000	Actual Contributions (Income) £'000	Closing Balance 31/03/2018 £'000
Planning Policy Reserve	327	(34)	100	393
Asset Enhancement Reserve	484	(180)	600	904
Spend to Save Reserve (Inc.Digital Team)	349	(217)	16	148
Leisure Centres Reserve	656	(53)	404	1,007
Corporate Priorities Reserve	276	(136)	--	140
Town Pier Pontoon Reserve	103	(25)	13	91
Local Authority Mortgage Scheme (LAMS) Reserve	100	--	--	100
Elections Reserve	89	--	60	149
NNDR Collection Fund Equalisation Reserve	500	--	--	500
IT Infrastructure Reserve	10	--	75	85
DSO Vehicle Capital Reserve	112	(188)	107	31
Freighter Replacement Reserve	338	--	221	559
NNDR Growth Fund Reserve	245	(7)	209	447
Lower Thames Crossing Reserve	150	--	--	150
Woodville Repairs Reserve	--	--	57	57
Investment Interest Equalisation Reserve	--	--	500	500
Commerical Income Protection Reserve	--	--	100	100
Service Review Reserve	300	(42)	--	258
Playgrounds Reserve	100	--	--	100
Decriminalisation Reserve	49	(49)	42	42
Borough Market Reserve	40	(40)	--	--
Sub-total - Specific Earmarked Reserves	4,228	(971)	2,504	5,761
Revenue Grants not yet applied	2,833	(1,478)	382	1,737
Total - All Earmarked Reserves	7,061	(2,449)	2,886	7,498

Table 4: Analysis of Specific Reserves

- 3.11.3 Significant or new approved use of reserves include:
- 3.11.4 **Asset Enhancement Reserve** – an additional £500k above the original budget of £100k has been set aside – see details in section 3.10.3.
- 3.11.5 **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.
- 3.11.6 **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.
- 3.11.7 **NNDR Growth Fund Reserve** - following the year-end reconciliation of Business Rates collected and arrangements with the Kent Pool, £209k has been added to the NNDR Growth Fund Reserve.
- 3.11.8 **Investment Interest & Commercial Income Reserves** – additional funds have been set aside in these reserves following analysis of the year-end outturn position, and as set out in sections 3.10.2 & 3.10.3.
- 3.11.9 **Decriminalisation Reserve** – £49k released to part-finance a Controlled Parking Zone (CPZ) review as identified within the Service Review process (Environment & Operations).
- 3.11.10 **Revenue Grants not yet applied** – within the overall reduction of £1,096k, £1,351k has been released to fund costs associated with the new domestic waste collection scheme; vehicle and equipment expenditure as well as promotion and distribution expenses. £159k has been transferred in relating to Homelessness Grants received in 2017/18, with the balance of £96k consisting of other adjustments.

4. GENERAL FUND CAPITAL PROGRAMME

4.1 The following table details the final outturn for the General Fund Capital Programme and the revised original budget for 2018/19, taking into consideration adjustments to the carried forward items, as approved by the Section 151 Officer and Management team, and subject to audit.

Scheme	2017-18 Original Budget inc C/Fwd	2017-18 New Schemes & Approved Virements	2017-18 Final Outturn	Variance	Estimated C/Fwd approved at Council for 2018-19	Additional C/Fwd to 2018-19	2018-19 Original Budget inc C/Fwd
Sports Pitches	300,000	(300,000)		0	0	0	0
Redevelopment of former Fleet Leisure Site	2,300,000	(2,300,000)		0	0	0	0
Customer Contact Platform	6,510	0	4,187	(2,324)	0	0	0
Young Persons Champion	15,820	0	15,816	(4)	0	0	0
Older Persons Champion	12,770	0	6,355	(6,415)	0	6,410	6,410
Essential Repairs to Buildings	50,000	255,000	213,057	(91,943)	0	49,000	99,000
Gravesend Cemetery Improvements	22,850	0	1,268	(21,583)	0	21,580	21,580
Local Growth Fund Projects (LEP Funded)	0	57,860	50,945	(6,915)	0	6,920	56,920
Town Pier Pontoon	0	84,000		(84,000)	0	84,000	84,000
Parrock St Car Park - Toilet Block (Provision)	34,220	(34,220)		0	34,220	0	34,220
Purchase of Vehicles (DSO Fleet)	242,330	47,600	287,696	(2,234)	0	0	205,000
Decrim Account - hardware and software	15,010	0	15,100	90	0	0	0
Refuse Vehicles - Waste Collection Scheme	675,000	0	670,638	(4,362)	0	0	0
Wheeled Bins - Waste Collection Scheme	462,000	0	464,518	2,518	0	0	0
Replacement Playground Programme	0	100,000		(100,000)	0	100,000	220,000
Property Acquisition Programme	0	10,000,000	1,078,932	(8,921,068)	0	8,921,000	8,921,000
Land Acquisition Programme	0	1,101,570	1,101,570	0	0	0	0
Market Refurbishment	0	82,350	81,575	(775)	0	0	0
Queen Elizabeth II Statue	0	225,000	186,347	(38,654)	0	38,650	38,650
IT Equipment Review	0	121,500	70,961	(50,539)	0	50,540	50,540
General Data Protection Regulation (GDPR)	0	50,000	49,848	(152)	0	0	0
Virtual Desktop Infrastructure Software	0	110,250	101,452	(8,798)	0	8,800	8,800
Gatekeeper Replacement	0	0	0	0	0	0	50,000
Bins for Flat Recycling	0	0	0	0	0	0	100,000
Waste Software	0	0	0	0	0	0	200,000
Brookvale Office Accommodation	0	0	0	0	0	0	1,500,000
St John's House Refurbishment	0	0	0	0	0	0	70,000
Capital Programme Totals	4,136,510	9,600,910	4,400,265	(9,337,155)	34,220	9,286,900	11,666,120

Table 5: General Fund Capital Programme 2017/18

- **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.
- **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. Following the procurement process via the Kent Business Portal, a preferred bidder has been awarded a long-term lease in principle, subject to planning. Meetings are taking place to discuss the next steps with the proposed operator including heads of terms, planning and project timeframes.
- **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.
- **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 has now been paid. 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. A match-funding project has been established with Age UK to fund refurbishment of the bathroom at their centre in Gravesend and it is intended that this will be used in 2018/19.

- **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 £89k. Last financial year £284k was approved by management team to cover the concrete repairs and redecoration of the Civic Centre. As of writing, £258k has been paid to the contractor and whilst the final contract sum has been agreed, the balance has not yet been paid. A carry forward provision of £23.5k has been committed to the upgrade of lighting to the main north and south stairwells to improve the energy efficiency of the building.
- **Gravesend Cemetery Improvements** - The new cemetery software has been ordered and is now in the installation phase.
- **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 £50k has been awarded for the implementation of a second phase in the current year. This will extend the pedestrian signing to and from Windmill Hill and Canal Basin.
- **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. The completion of this work will now take place in 2018/19.
- **Purchase of Vehicles (DSO Fleet)** - All vehicles required for the year have been purchased within the timeframe identified and orders have been placed. The working budget was adjusted to reflect the 2017/18 need for replacement of vehicles; there were sufficient funds available to fund this increase in the DSO Fleet replacement reserve.
- **Decriminalisation** – The hardware and software has been purchased and the system has gone live.
- **Waste Collection Scheme** - The latest phase of the bin roll out has now been completed, with capital sums used to meet the cost of additional wheelie bins and refuse vehicles.
- **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 and this will be completed in 2018/19.
- **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. Identification of potential commercial acquisitions has proved more challenging this year with one acquisition, the purchase of the freehold interest of a unit in High Street, Sittingbourne, secured in early 2018. Further opportunities continue to be sought for consideration by the Property Acquisitions Cross Party Working Group.

- **Land Acquisition Programme** - Full Council approved an additional £5m allocation within the General Fund Capital Programme to facilitate land acquisitions at its meeting on 6 March 2018. The first purchase, the freehold title of land to the East of Lion Business Park, Gravesend, was completed in March.
- **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 was a lengthy negotiation towards agreeing the final account. The final account for the Market capital scheme exceeded the last reported budget by £82,350. The capital budget has been amended to include this settlement and the additional cost has been met from match funding which has been held for the project and the application of capital grants.
- **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 later this year. A budget carry forward request has been made to offset the outstanding invoices for the Statue work in 2018/19.
- **General Data Protection Regulation Software** - The EU General Data Protection Regulations (Reg (EU) 2016/679) (GDPR) came into effect on 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.
- 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** has identified the most appropriate 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.

4.2 Capital Resources

4.2.1 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 £	Actual Income 2017/18 £	Use of Funding 2017/18 £	Final Balance 31/03/2018 £
Capital Receipts	(1,265,106)	(6,670)	126,301	(1,145,475)
S106 Capital Contributions	(198,860)	(200,000)	124,370	(274,490)
Capital Grants unapplied	(1,256,830)	(174,370)	842,920	(588,280)
Total Capital Resources	(2,720,796)	(381,040)	1,093,591	(2,008,245)

Table 6: General Fund Capital Resources 2017/18

£124,370 was transferred from S106 Contributions into Capital Grants unapplied as part of a review of S106 contributions held.

Capital Grants Unapplied	Opening Balance 01/04/2017 £	Actual Income 2017/18 £	Use of Funding 2017/18 £	Final Balance 31/03/2018 £
Performance Reward Grant	(127,930)	0	127,930	0
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	276,540	(223,610)
Localised Council Tax Support	(89,220)	0	0	(89,220)
Coastal Communities Market Capital	(10,000)	0	10,000	0
Local Enterprise Partnership Funding	(7,860)	(50,000)	50,950	(6,910)
Land at South of Hever Court Road	(55,000)	0	0	(55,000)
Total Capital Grants Unapplied	(1,256,830)	(174,370)	842,920	(588,280)

Table 7: Capital Grants Unapplied 2017/18

4.2.2 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.
Springhead Leisure Contribution	(150,000)	0	0	(150,000)	Springhead Rec contribution.
SAMM Contribution	0	0	(23,934)	(23,934)	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	(274,494)	(255,680)	(109,629)	(639,803)	

Table 8: S106 Contributions 2017/18

5 HOUSING REVENUE ACCOUNT

5.1 Budget 2017/18

The table below sets out the current assessment of performance against the Original Budget for the Housing Revenue Account (HRA), based on variances to 31 March 2018.

- 5.1.1 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.
- 5.1.2 As at 31 March 2018 there is a net total positive variance of £6.7 million against the original budget.

Description	Original Budget 2017/18 £	Outturn 2017/18 £	Variance £
Supervision and Management	5,671,360	5,461,800	(209,560)
Repairs and Maintenance	8,020,580	6,983,200	(1,037,380)
Depreciation	5,968,130	6,644,930	676,800
Supporting People Fund - Expenditure	759,770	707,960	(51,810)
Capital Finance	11,568,060	5,960,840	(5,607,220)
Sub Total (Expenditure)	31,987,900	25,758,730	(6,229,170)
Rents of Dwellings	(25,473,500)	(25,704,890)	(231,390)
Other Rental Income	(23,210)	(24,940)	(1,730)
Service Charges	(1,314,400)	(1,467,950)	(153,550)
Non Dwelling Income	(257,400)	(277,190)	(19,790)
Supporting People Fund -Service Charge Income	(295,300)	(364,600)	(69,300)
Supporting People Fund - Grant	(266,820)	(266,840)	(20)
Other Income	(457,740)	(472,390)	(14,650)
Sub Total (Income)	(28,088,370)	(28,578,800)	(490,430)
Contributions to/(from) reserves	(3,899,530)	2,820,070	6,719,600
Net Surplus/Deficit	0	0	0

Table 9: Housing Revenue Account Outturn 2017/18

5.2 SUPERVISION & MANAGEMENT - £210K FAVOURABLE VARIANCE

- 5.2.1 **Vacancy Management: £365k favourable variance** – the council continued to maintain a close analysis of staffing budgets through regular monitoring and reporting to Management Team, including the effective management of vacant posts and the staffing establishment. In addition to this a staffing review was conducted in the Repairs & Maintenance Team following the implementation of the One Serve system which resulted in a change in working practices.
- 5.2.2 The budget for 2017/18 incorporated a vacancy allowance of £100k. The year-end position was an underspend of £465k which gives rise to the net favourable variance of £365k.

- 5.2.3 **Caretaker Rents: £52k favourable variance** –the restructure of the Sheltered Housing elements of the Housing department delivered a favourable saving of £51,815.
- 5.2.4 **Council Tax on Empty Properties: £30k adverse variance** – council tax charges incurred on void HRA properties undergoing repairs to enable reletting were higher than budgeted.
- 5.2.5 **Whitehill Community Centre: £44k adverse variance** – costs not previously budgeted were incurred as a result of a need to secure the building and carrying out necessary repairs.
- 5.2.6 **New Build Preliminary Costs: £96k adverse variance** – the council incurred unbudgeted preliminary costs relating to the development of New Build schemes where planning permission had not yet been granted. Under the terms of the 1-4-1 agreement, until planning permission is obtained, these costs cannot be capitalised and funded from 1-4-1 receipts.
- 5.2.7 **Other Minor: £37k net adverse variance** – there were a number of minor variances within Supervision and Management; the net effect of these variances was an overspend of £37k.

5.3 **REPAIRS & MAINTENANCE - £1.037M FAVOURABLE VARIANCE**

- 5.3.1 **Repairs & Maintenance: £1.037m favourable variance** – Since March 2016, the Responsive Repairs Team within DSO Building Management has undergone 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. Changes have included improvements in the structure of the repairs team and the introduction of a new IT system and associated procedures to ensure appointments and jobs are scheduled and completed most efficiently. Operatives now use digital handheld devices to schedule their work and record work completed. In addition to this, new policies have been introduced to ensure that only necessary work is carried out and that any works above and beyond the responsibility of the council are paid for by the tenant. In addition, changes have been made to the programme of planned maintenance and servicing works. These improvements include more stringent surveying of major planned maintenance work required to ensure that works are absolutely required and not carried out unnecessarily.
- 5.3.2 All of these positive changes align with the recommendations from the Overview Scrutiny Committee, Housing Repairs Topic Review (Part 2) and the ambition of the service to become more efficient and commercial.

5.4 **DEPRECIATION - £677K ADVERSE VARIANCE**

- 5.4.1 **Depreciation: £677k 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 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.

5.5 SUPPORTING PEOPLE – £121K FAVOURABLE VARIANCE

- 5.5.1 **Supporting People - £121k favourable variance** – in light of the notified cessation of funding from KCC to support this service from April 2018, activity was undertaken during the year to review the costs of providing services. As a consequence of this, a favourable variance of £121k was delivered at year-end.
- 5.5.2 **Other Minor Variances: £2k adverse variance** – a number of minor variances were recorded within Capital Financing; the net effect of these variances resulted in an overspend of £2k.

5.6 CAPITAL FINANCE - £5.607M FAVOURABLE VARIANCE

- 5.6.1 **Capital Finance: £5.23m favourable variance** – as part of the ongoing work to review the HRA budgets, clarification was 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 resource, 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 funding was made instead from capital resources.
- 5.6.2 **Interest Paid: £365k favourable variance** – the HRA's budgeted proportion of the authority's total interest charge was based on an assumption that additional debt would be taken on during 2016/17. As this was not the case, interest charged was lower than the original forecast. Consequently, the HRA's share of interest payments was reduced resulting in a saving of £364,720.
- 5.6.3 **Kent Fire Grant: £38k favourable variance** - Works to the sprinkler systems at Carl Ekman House and The Hive increased the capital financing by £38k, though was offset by the grant funding from Kent Fire referenced in paragraph 5.9.2 below.
- 5.6.4 **Other Minor Variances: £26k adverse variance** – a number of minor variances were recorded within Capital Financing; the net effect of these variances resulted in an overspend of £26k.

5.7 RENTS OF DWELLINGS - £231K FAVOURABLE VARIANCE

- 5.7.1 **Rents on Dwellings: £231k favourable variance** – the final position was influenced by an increase in affordable rent properties and the effectiveness of the Housing Income Team in ensuring rent due in the year was collected in a timely manner.

5.8 SERVICE CHARGES - £154K FAVOURABLE VARIANCE

- 5.8.1 **Service Charges - £153k favourable variance** – the favourable variance at year-end resulted from the collection of service charge contributions to external redecoration and revenue contributions intended to offset future capital works.

5.9 OTHER INCOME - £15K FAVOURABLE VARIANCE

- 5.9.1 **Recovered Costs: £40k favourable variance** – the income team have recovered £40k of court costs previously not budgeted for in 2017/18 resulting in a favourable variance.
- 5.9.2 **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 with the works at the Hive completed in 2017/18.
- 5.9.3 **Investment Income: £24k favourable variance** – The HRA share of investment income was £24k higher than budgeted.
- 5.9.4 **PV Panels: £69k 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. The capital receipt from the sale is shown in the Capital Resources table (Table 14). The sale of the panels resulted in a loss of £69,000 against the Feed In Tariff (FIT) income budget for the year.
- 5.9.5 **Other Minor Variances: £18k adverse variance** – there are a number of minor variances within Other Income, the net effect of these variances is £18,000.

5.10 ITEMS CARRIED FORWARD FROM 2017/18 – £183

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

Summary of Housing Revenue Account 2017/18 year-end carry forward requests				
Directorate	Service	Amount	Reason for underspend in 2017/18	Reason for carry-forward request into 2018/19
HRA	Tenant Participation	£183	Members contributions made to fund black history month displays - left over monies to be rolled forward to fund 2019 display	Members contributions made to fund black history month displays - left over monies to be rolled forward to fund 2019 display
Total carry forward requests		£183.00		

Table 10: Items Carried Forward from 2017/18

5.11 Working Balances and Reserves

- 5.11.1 The variances and Carried Forward items outlined in this report have the following effect upon HRA working balances:

Working Balances	£
Balance Brought Forward from 2016/17	3,000,000
Variances as per provisional outturn report	2,820,070
Balances C/Fwd as at 31 March 2018 including minimum HRA Working Balance	5,820,070
Less: Transfer to HRA General Reserve (Revenue)	(2,820,070)
Minimum Working Balances C/fwd (as at 31 March 2018)	3,000,000

Table 11: Effect on Housing Revenue Account Working Balances

5.11.2 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	Use of Reserve (Expenditure) £'000	Contributions (Income) £'000	Balance 31/03/2018 £'000
HRA General Reserve (Revenue)	(4,621)	0	(2,820)	(7,441)
Total	(4,621)	0	(2,820)	(7,441)

Table 12: Analysis of Specific Reserves – HRA

6 HOUSING CAPITAL PROGRAMME

6.1 The Housing Capital programme for 2017/18 totalled £14,770,770 of which £13,531,020 related to HRA capital schemes and £1,239,750 related to non-HRA capital schemes. These budgets included £338,480 and £377,500, respectively that have been carried forward from 2016/17.

6.2 The HRA capital schemes continued 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 also 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	4,385,790	(1,078,750)
B	Health & Safety	1,464,630	1,241,090	(223,540)
C	Minor / Other Works	562,540	578,580	16,040
D	New Build	6,039,310	6,393,990	354,680
	Sub Total (HRA Capital Programme)	13,531,020	12,599,450	(931,570)
E	Disabled Facilities Grant	1,138,500	632,360	(506,140)
F	Southfield Shaw Capital Works	24,000	62,780	38,780
G	Op Services Scheduling System	0	0	0
H	Virtual Desktop Infrastructure	36,750	33,820	(2,930)
I	IT Equipment Review	40,500	23,650	(16,850)
	Total (HRA & GF Capital Programme)	14,770,770	13,352,060	(1,418,710)

Table 13: 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 17/18 are detailed below:

6.3.1 **Decent Homes (Ref A)** - the following works were completed within 2017/18:

- 117 kitchen replacements;
- 57 bathroom replacements;
- 97 properties had new window and door replacements;
- 347 properties had new central heating systems installed;
- 14 properties have new storage heaters installed;
- 1,019 properties and 26 communal areas had electrical tests and/or remedial works including rewiring, minor works and upgrades to consumer units;
- 5 residential blocks had their roof completely replaced along with 13 individual properties;
- Internal re-decorations were completed at Chantry Court;
- 6 properties were converted from one bedroom to two bedroom properties whilst empty (void) and 2 properties were completely re-modernised.

6.3.1 Across the Decent Homes programme, net savings of £1.08 million were realised throughout 2017/18. The schemes within the Decent Homes Programme contributing to this saving are:

- £115,000 on empty properties (voids) – A redesign of the voids process within DSO Building Management to ensure that only essential works and services were carried out and in the most efficient way possible contributed to this underspend.
- £75,000 on external wall insulation – Works completed in agreement with tenants and consultants resulted in a decision not the progress this project within the year and to review the need for future works.
- £86,000 on communal areas and £90,000 on capital and service projects – As a consequence of the positive restructuring of the teams, some of the works identified within these budgets will be rescheduled.
- £70,000 on ventilation – Historically, this budget was utilised to combat damp and mould within properties. However, following a review of how best to manage damp and mould it resulted in less work being required by the DSO Building Management Team following work with tenants to enable them to self-resolve issues through positive lifestyle choices.
- £260,000 on roofing – Due to resource and contractors issues, along with specification variations, the full programme was not completed and therefore underspent.

- £400,000 on central heating installations – This saving was achieved by re-profiling the entire gas installation programme.
- £40,000 on Gravesham Court and Homestead heating upgrades – Due to the re-profiling of the gas installation programme, heating upgrades required within Gravesham Court and Homestead were accommodated within the installation programme budget and therefore this budget was not utilised.

6.3.2 Three budgets were overspent, £50,000 on the Doors & Windows Programme, £25,000 on the Bathroom Replacement Programme and £25,000 Electrical Testing Programme, which were all the result of additional works being required over and above what was originally planned. These additional works have been offset against other savings therefore remaining within the total Decent Homes budget for the year.

6.4 **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 was completed with phase two of the project approximately 90% complete at year-end; the remaining works were completed in April 2018;
- Warden call/door entry and fire detection systems were installed/ upgraded to five sites, Blenheim Grove, St Gregory's Court, Longferry Court, Portreeve Court and Claremont Place;
- Five passenger lifts were refurbished in Wallis Park, Portreeve Court and Cleveland House;
- A Fire Detection System installation at Chantry Court was 90% complete at year-end. Minor works which remain outstanding due to access issues are currently being addressed;
- LED emergency lighting upgrades were completed at The Hive and Gravesham (1st floor only) as part of an efficiency lighting pilot scheme. The aim of the scheme is to help reduce GBC's carbon footprint as well as being a more cost effective lighting solution.

6.4.1 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 no longer required

6.4.2 **Minor/Other Works (Ref C)** - the following works were completed in 2017/18:

- 58 level access showers/wet rooms were installed
- 14 over-bath installations were fitted;
- 13 stair lifts were installed;
- 16 properties had various adaptations carried out such as accessible kitchens, bathroom, ramps etc;
- Resurfacing of balconies at Shepherd Street and Kennedy House were completed;
- Resurfacing works to car parks at Fountain Walk and The Hive were completed.

6.5 New Build

6.5.1 The authority signed an agreement with the DCLG to retain part of the Right To Buy (RTB) receipts and use them as part-funding of new build and/or acquisition of additional social housing (**Ref D**). During the year:

- The Tooley Street scheme comprising of two units was completed and allocated;
- The Farlow Close scheme comprising of five units was completed and allocated via the housing register;
- Following the previously reported delays to the Packham Road project, construction commenced on the 10 new homes at the site. The completion of 6 x 2 bed houses is expected in September 2018 with a further 3 x 1 bed bungalows and 1 x 2 bed wheelchair compliant bungalow to complete by November 2018;
- The council purchased 23 properties from the market;
- Following the successful Invitation to Tender, GBC appointed a contractor to undertake the conversion of the Kings Farm Estate Office to a 4 bed wheelchair home;
- The planning application for a scheme comprising of 17 new homes on Council owned land at St Hilda's Way was approved;
- 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. The next step is to take the application to the Regulatory Board for review in July 18;

6.6 **Disabled Facility Grants (DFGs) (Ref E)** – Progress continued to be made in the administration of DFGs during the year. The secondment of an Occupational Therapist from Kent County Council, along with the introduction of fast-track grants and streamlined processes with the HIA, further helped to ensure that the referrals and grant process was carried out in a timely manner.

- 74 grant cases were approved and completed during 2017/18;
- 30 grant cases were approved but not completed in 2017/18, 22 of which completed by May 2018, with the remaining 8 experiencing delays due to variations of work ;
- 7 grant cases were approved and subsequently cancelled due to changes in the client's circumstances.

6.6.1 The balance of grant funding carried forward into 2018/19 is £287,028.

6.7 **Southfield Shaw Capital Works (Ref F)** – Planned works to renew the water and wastage piping in Southfield Shaw was completed ahead of schedule creating an overspend of £39k in 2017/18. GBC will no longer require budget in 2018/19 for this project.

6.8 Capital Resources

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

Housing Capital Resources	Opening Balance 01/04/2017 (£)	Income 2017/18 (£)	Use of Funding 2017/18 (£)	Projected Balance 31/03/2018 (£)
Capital Receipts - HRA	(961,720)	(244,390)	120,250	(1,085,860)
Capital Receipts - GF Housing	(12,520)	(15,250)	0	(27,770)
Capital Receipts - PV Panels	0	(3,573,000)	0	(3,573,000)
Major Repairs Reserve - Dwellings	(1,476,900)	(6,430,410)	7,381,980	(525,330)
Major Repairs Reserve - Non Dwellings	(244,340)	(206,880)	0	(451,220)
New Build Reserve: 1-4-1 Receipts	(5,354,970)	(1,811,560)	1,918,200	(5,248,330)
Right to Buy Allowable Debt Reserve	(3,212,880)	(425,980)	3,212,880	(425,980)
Disabled Facility Grants	(377,500)	(799,010)	632,360	(544,150)
Christianfields Overage	(766,000)	0	0	(766,000)
Total	(12,406,830)	(13,506,480)	13,265,670	(12,647,640)

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

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

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 provisional budget outturn report is to identify performance against the original budget set for the 2017/18 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 adults	No direct implications	