

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Cabinet
Finance & Audit Committee

Date: 12 November 2018/14 November 2018

Reporting officer: Assistant Director (Corporate Services)

Subject: Budget Monitoring Report 2018/19 – Quarter Two

Purpose and summary of report:

To provide Members with information on actual performance against the approved Revenue and Capital budgets for 2018/19, 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 2018/19 financial year for the second quarter to 30 September 2018 as well as updating Members on other key areas of financial performance.
- 1.2. The council continues 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 include:
 - 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. At the end of Quarter Two there is projected underspend for the year of £249,650. Movements affecting the forecast position against the original budget for the year in the main pertain to continued implementation of *Bridging the Gap* activity.
- 2.2. Because the council ended 2017/18 in a favourable position, budgets totalling £146,360 were approved for carry forward into 2018/19.
- 2.3. The level of Working Balances at year-end are projected to be £7.56m, constituted of the minimum working balances of £1.25m, the General Fund reserve of £2m and usable Working Balances of £4.31m.
- 2.4. Movements in the year are projected to result in a net increase in reserves of £0.15m, with the level of reserves being £7.50m at start of year and projected to be £7.65m at year- end.
- 2.5. Significant risks to the General Fund's financial position continue to come from the lack of clarity regarding the future of local government funding and legislative change, such as the introduction of the Homelessness Reduction Act.

General Fund (Capital)

- 2.6. The General Fund Capital Programme for the year is budgeted at £31.8m, including £16.2m to support furtherance of the council's land and commercial property portfolio and £14.2m to fund redevelopment of the St George's Shopping Centre. Actual spend to the end of Quarter Two was £9m.

HRA (Revenue)

- 2.7. At the end of Quarter Two income and expenditure for the year remains balanced, albeit the budgeted contribution from reserves to fund revenue expenditure planned for the year is no longer required and current information actually indicates a contribution to the General HRA Reserve at year-end. The main movements affecting the forecast position against the original budget for the year are a reduction in planned repairs and maintenance spend due to the delivery of efficiencies in processes as experienced towards the end of the last financial year, and savings against staffing budgets.
- 2.8. 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 £0.56m, with the level of reserves being £7.44m at start of year and projected to be £8m at year-end.
- 2.9. As with the GF, the significant risk to the HRA's financial position continues to be the lack of clarity regarding funding and regulatory reform.

Housing Capital

- 2.10. The Housing Capital Programme for the year is budgeted at £14.4m, with spend to the end of Quarter Two of £9.8m.

3. GENERAL FUND (REVENUE)

3.1. Budget 2018/19

3.1.1. The approved Original Budget Requirement for 2018/19 was £12,622,790, funded by retained Non-Domestic Rates, New Homes Bonus, Council Tax and use of £1,329,640 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 30 September 2018.

Directorate / Budget Heading	Original Budget 2018/19 (£)	Forecast 2018/19 (£)	Variation 2018/19 (£)
Chief Executive	44,870	44,870	0
Communities	4,199,860	4,005,780	(194,080)
Corporate Services	3,856,280	3,770,030	(86,250)
Environment & Operations	2,598,380	2,552,700	(45,680)
Housing & Regeneration	2,110,220	2,110,220	0
Items Carried Forward from 2017-18	0	146,360	146,360
Non-Directorate Specific	1,113,390	1,113,390	0
Interest and Investment Income	(627,320)	(697,320)	(70,000)
Government Grant Funding	(904,470)	(904,470)	0
Transfers to/ (from) reserves	609,770	354,560	(255,210)
Transfers to/ (from) balances	1,035,980	1,335,980	300,000
Transactions below the line	(1,414,170)	(1,158,960)	255,210
BUDGET REQUIREMENT	12,622,790	12,673,140	50,350
Business Rates Income	(3,679,110)	(3,979,110)	(300,000)
Council Tax Income	(6,705,200)	(6,705,200)	0
Parish Precepts	(323,120)	(323,120)	0
Passported Parish Grant	1,040	1,040	0
New Homes Bonus	(586,760)	(586,760)	0
Transfers to/(from) the Collection Fund	0	0	0
Use of Working Balances	(1,329,640)	(1,329,640)	0
BUDGET SHORTFALL/(UNDERSPEND)	0	(249,650)	(249,650)

3.1.3.

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

3.2. CHIEF EXECUTIVE'S DIRECTORATE – NIL VARIANCE

3.2.1 There are no significant variances to report.

3.3. COMMUNITIES DIRECTORATE – £194k FAVOURABLE VARIANCE

3.3.1. **Acquisition of site at Stuart Road, Gravesend: £377k favourable variance** – in June 2017 Full Council gave approval for a second tranche of £10m from investment balances to be made available for purchases under the council's existing Property Acquisition Strategy. In June 2018, the Council completed the acquisition of the site at Stuart Road, Gravesend, currently tenanted by Wickes, which is anticipated to provide a current year rental income stream of £377k. The projected full-year income from 2019/20 onwards is £511k.

- 3.3.2. **HR Shared Services: £23k favourable variance** – as part of *Bridging The Gap* activity identified within the MTFs, the council has explored various shared service opportunities in recent years. From 1st April 2018 a shared Human Resources service with Medway Council has been established, producing an initial positive effect to the council's Medium Term Financial Plan (MTFP) of £23k. Going forwards as processes are harmonised and developed further there may be scope for additional financial benefits, which will be reported on in due course. Additionally, the shared service provides greater resilience, for example enabling utilisation of the existing recruitment and training teams within Medway's structure.
- 3.3.3. **Information Governance: £41k adverse variance** – prior to General Data Protection Regulation (GDPR) 2016/679 coming into implementation on 25th May 2018, the council considered resourcing options in terms of managing the potential impact of GDPR changes. The result is a further cost of £41k financing an additional post within the Legal & Information Governance shared service with Medway Council to support the council in responding to the enhanced challenges.
- 3.3.4. **St Georges' Shopping Centre rental income: £146k adverse variance** – the council holds the freehold interest of the St Georges Shopping Centre, though this had previously been subject to a 150-year lease to Queenridge Properties since 1982. Under the terms of the lease the council received a "basic rent" of £195k per annum and an "additional rent" of 10% of the rents that Queenridge Properties received from the occupying tenants in excess of £1.95m per annum. To date, no additional rent has ever been payable.
- 3.3.5. At Cabinet in April 2018, the council agreed to enter into an agreement with Reef Estates Group for redevelopment of the St George's Centre. Detailed financial modelling was undertaken, incorporating projected annual lease payments to Reef, returns made on the initial investment balance received by the council, and rental income receivable from the centre. The expectation is that the inflows to the council of rental and investment income will be equal, or more than equal, to the annual lease payments for the 50-year term of the lease.
- 3.3.6. As a result of this change, the arrangement whereby the council received a "basic rent" of £195k per annum (as referenced in paragraph 3.3.3) for the Shopping Centre has now ceased and been replaced by the new income and expenditure forecasts. Resultantly, there is part-year adverse variance in 2018/19's MTFP of £146k, with a full year effect of £195k from 2019/20 onwards. New arrangements for the running of the Heritage Quarter are covered within the financial modelling undertaken, and therefore it is projected that over the lifetime of the project, there will be both financial and non-financial benefits to the Council of redeveloping the St George's Centre.
- 3.3.7. **Borough Market: neutral variance** – although no overall variation is currently anticipated, it should be noted that the latest income projections for the market are for a £30k year-end deficit in 2018/19 as a result of unit vacancies. There are expected to be, however, underspends across running expense budgets e.g. on repairs and maintenance due to the building being relatively new. Savings on such areas are therefore currently projected to contribute to a neutral position overall.
- 3.3.8. **Safer Stronger Communities: neutral variance** – the council has successfully secured funding from the Police and Crime Commissioner (PCC) to support the activity of Gravesham's Community Safety Unit in 2018-19. It is intended that these funds are used to provide specialist intervention work for young people involved in gang activity, to meet some of the costs of seasonal and crime prevention activity and to contribute to the cost of new and mobile CCTV camera deployments, in part related to tackling serious

and organised crime. The funding also includes a small tactical amount to address any unforeseen priorities that may occur during the year.

- 3.3.9. **War Memorials: neutral variance** – reserve funding of £21k from previously unallocated grant balances has been made available to support World War One commemoration activity within the borough. This principally involves cleaning/conservation work of existing war memorials and supporting the national “There But Not There” campaign, which aims to educate all generations in understanding the fate of British and Commonwealth soldiers during World War One.
- 3.3.10. **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.

3.4 CORPORATE SERVICES DIRECTORATE – £86k FAVOURABLE VARIANCE

- 3.4.1 **Corporate Expenses: £77k favourable variance** – following activity to refine budgetary arrangements including analysis of historic items held on the balance sheet, £77k has been released into revenue, generating a positive effect to the Council’s MTFP in 2018/19.
- 3.4.2 **External Audit Fee: £9k favourable variance** – in April 2018 the council received notification of the planned audit fee relating to the annual Statement of Accounts for 2018/19. This is £41k, which represents a reduction from the 2017/18 fee and previously budgeted figure of £53k. This has resulted in a positive effect to the General Fund MTFP of £9k, with the remaining £3k reflected as a saving within HRA budgets.
- 3.4.3 **St George’s Centre professional services: neutral variance** – as reported to Cabinet and Overview Scrutiny in May, the council engaged professional services in areas such as legal, property, treasury management and taxation to advise on the termination of the Development Agreement with Queenridge Properties and the agreement between the council and the Reef Estates Group for redevelopment of the St George’s Centre. The £217k costs of these services will be met from the Growth Fund Reserve, which holds monies generated as a result of the council being part of the Kent Business Rates Pool and is to be used to fund activity to promote economic growth.
- 3.4.4 **Corporate Debt Pilot System: neutral variance** – funding from the Corporate Priorities Reserve of £9k has been made available to support a pilot project for the central collation, analysis and management of debt across the council. The project involves utilising specialist software to draw data from different income streams, carry out matching activity and guide officers in determining specific courses of action for individual debtors of the council.

3.5 ENVIRONMENT & OPERATIONS DIRECTORATE – £46k FAVOURABLE VARIANCE

- 3.5.1 **Garden Waste Collection Service: £70k favourable variance** – the garden waste subscription service has continued to flourish in 2018/19 with over 750 new customers joining during the early months of the year. This additional volume, in conjunction with a review of the existing charging structure from 1st April 2018, has led to additional net income of £70k compared to the original budget.
- 3.5.2 **Waste & Street Cleansing fuel costs: £20k adverse variance** - The cost of fuel continues to rise. The forecast as at Quarter two is an overspend of £20k.

- 3.5.3 **Refuse Collection – KCC contribution: £45k favourable variance** – KCC have reimbursed the council for the additional tipping-away costs (such as fuel and staffing) incurred due to the fire at the Pepperhill site. This income will offset staff overtime and additional fuel which was required for travelling further when the site was closed.
- 3.5.4 **Security costs: £24k adverse variance** – the council has been required to make use of additional security services during the year due to an increase in the number of security risks and unauthorised traveller encampments within parks and car parks in the borough.
- 3.5.5 **Waste Freighter Vehicle parts: £25k adverse variance** - there are on-going reliability issues with the refuse vehicles which has resulted in higher maintenance costs than provided for within the original budget. Rectification of defects with these vehicles requires the purchase of replacement parts and as this is expected to continue at the same rate for the remainder of the year, the current forecast is an adverse variance of £25k. In the longer term, the plan to diversify the fleet of refuse vehicles in terms of make and model of vehicles used will help to minimise the risk of higher than anticipated vehicle maintenance costs.

3.6 HOUSING & REGENERATION – NEUTRAL VARIANCE

- 3.6.1 **Digitisation of Planning records: neutral variance** – the Planning Department has 26 years of planning history stored on approximately 68,000 microfiche covering 1974 - 2000. This medium for storing information is out dated and time intensive when retrieving information from them. Funding of £22k was made available from the Corporate Priorities Reserve to undertake this work and, prior to 2018/19, £16k had been spent. The remaining £8k has been released in to 2018/19.

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

3.7.1 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	£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.
Housing & Regeneration	Private Housing	£180	Underspend from 2017/18 activities to be used to finance 2018/19 initiatives.	Members contributions made to fund Black History Month displays - carried forward to fund 2019 display.
Total carry forward requests		£146,360		

Table 2: Items Carried Forward from 2017/18

3.8 INTEREST AND INVESTMENT INCOME – £70k FAVOURABLE VARIANCE

- 3.8.1 **Interest & Investment Income: £70k favourable variance** – the budgeted return for interest and investment income for 2018/19 is £627k. The Council continues to hold £10m invested in three Externally Managed Property Funds and a further £10m invested in three Multi-Asset Funds. Dividends received in relation to the second quarter of 2018/19 indicate the return on these investments is projected to exceed budgetary expectations. The balance of the Council's investments is held in fixed term deposits, certificates of deposit and money market funds; again, the returns on these investments are projected to be above budget.
- 3.8.2 On 2 August 2018 the Bank of England announced an increase in the base rate from 0.50% to 0.75%, the highest level since March 2009. The net impact of this increase combined with the projected returns for Property Funds, Multi-Asset Funds and traditional investments described above, is projected additional income of £70k for 2018/19.

3.9 FUNDING STREAMS – NEUTRAL VARIANCE

- 3.9.1 **Transfers to/(from) reserves & Transactions Below the line: net neutral 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. The total of £255k relates to the reserve funded items as described within the Communities, Corporate Services and Housing & Regeneration Directorate sections.
- 3.9.2 **Transfers to/(from) balances & Business Rates Income: neutral variance** – the council entered into the Kent Business Rates Pilot scheme for 2018/19 from 1st April whereby the 50% of any business rate growth previously paid over to Central Government would instead be retained within Kent. In setting the budget for 2018/19, the council anticipated receiving £250k from the Financial Sustainability Fund established through the pilot, with this amount being transferred straight to working balances as a means of providing sustainability of the council's financial position. Following the latest business rates monitoring across Kent, a healthy position is projected and therefore a further £300k benefit to the council from the Financial Sustainability Fund is being recognised at this stage. This is also being applied directly to working balances (and therefore has a neutral effect on the MTFP "bottom-line"), the effect of which can be found in the table in section 3.11.

3.10 Other Variances and Risks not reflected in the Current Budget

- 3.10.1 **Staffing Budgets** – the General Fund staffing budget for 2018/19 incorporates a vacancy allowance of £350k for the year. It is anticipated that this will occur throughout the establishment as a whole from natural staff turnover within day-to-day business activities, as well as posts being held vacant pending the re-design of services. For the second quarter to 30 September, actual staffing spend was £207k lower than budgeted.
- 3.10.2 **Fees and Charges (General)** – Income received from fees and charges supports the annual budget. Monitoring to the end of September indicates that income streams are generally performing well against budget; monitoring will continue during the year with any known variances reported through budget monitoring reports.

- 3.10.3 **Homelessness** – the introduction of the new homelessness legislation at the start of the financial year continues to have an upward effect on the number of households the council has a duty to assist. In Quarter Two of 2018/19 the council was approached by 423 households requiring assistance to resolve their housing issues. This has resulted in 91 households requiring temporary accommodation, a slight increase on the 89 households requiring assistance at the end of Quarter One.
- 3.10.4 Furthermore, in discharging the council’s duties to prevent and relieve homelessness, 38 cases were close in Quarter Two at prevention stage, including 24 households successfully prevented from becoming homeless by either being able to remain in their current accommodation or by securing alternative accommodation. Similarly, 13 cases were closed in Quarter Two at the relief stage, with five of these households moving into settled housing.
- 3.10.5 During the quarter, 302 cases were closed leaving 120 open cases at the end of Quarter Two. Of these 120, 40 were at triage stage, 41 at the prevention stage and a further 39 at the relief stage. The increased demand for homelessness assistance has resulted in greater use of temporary accommodation than originally anticipated, with some £200,000 spent on providing temporary housing to households seeking assistance in the first six months of the year. This additional expenditure can currently be offset through Housing Benefit and use of grant funding provided by central government to meet the anticipated new burdens the change in legislation would create, thus resulting in a neutral variance against the budget for the year. Officers are, however, assessing the situation to ascertain what further action is required to manage spend.

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 2017/18	7,305,450
New Homes Bonus (Straight to working balances)	586,760
NNDR Income - Kent Pilot & Pool (Straight to working balances)	449,220
NNDR Income - Additional growth in Kent Pilot released in Q2	300,000
Budgeted use of Working Balances to support the General Fund	(1,329,640)
Variances per budget report (Incl.items Bfwd from 2017/18)	249,650
Forecast Working Balances C/Fwd (as at 30 September 2018) including Minimum GF Working Balance	7,561,440
Less: Minimum GF balance	(1,250,000)
Less: Additional General Fund Reserve	(2,000,000)
Forecast Usable Working Balances C/Fwd (as at 30 September 2018)	4,311,440

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 01/04/2018 £'000	Forecast Use of Reserve (Expenditure) £'000	Forecast Contributions (Income) £'000	Forecast Balance 31/03/2019 £'000
Planning Policy Reserve	393		50	443
Asset Enhancement Reserve	904	(321)	100	683
Spend to Save Reserve (Inc. Digital Team)	148		9	157
Leisure Centres Reserve	1,007	(135)	375	1,247
Corporate Priorities Reserve	140	(60)		80
Town Pier Pontoon Reserve	91	(5)	13	99
Local Authority Mortgage Scheme (LAMS) Reserve	100	(50)		50
Elections Reserve	149		17	166
NNDR Collection Fund Equalisation Reserve	500		30	530
IT Infrastructure Reserve	85	(60)	75	100
DSO Vehicle Capital Reserve	31	(105)	105	31
Freighter Replacement Reserve	559		221	780
NNDR Growth Fund Reserve	447	(217)	229	459
Lower Thames Crossing Reserve	150			150
Woodville Repairs Reserve	57		57	114
Investment Interest Equalisation Reserve	500			500
Commerical Income Protection Reserve	100			100
Service Review Reserve	258	(3)		255
Playgrounds Reserve	100			100
Decriminalisation Reserve	42			42
Sub-total - Specific Earmarked Reserves	5,761	(956)	1,281	6,086
Revenue Grants not yet applied	1,737	(188)	13	1,562
Total - All Earmarked Reserves	7,498	(1,144)	1,294	7,648

Table 4: Analysis of Specific Reserves

3.11.3 Significant or new approved use of reserves include:

3.11.4 **Corporate Priorities Reserve** – £9k Corporate Debt Pilot Systems (Corporate Services), £8k Microfilming work (Housing & Regeneration), £25k Feasibility Studies re land adjacent to Dering Way and at Milton Place.

3.11.5 **NNDR Growth Fund Reserve** – £217k has been released to fund the provision of specialist professional services associated with the redevelopment of the St George's Centre (Corporate Services).

3.11.6 **Revenue Grants not yet applied** – £91k Flexible Homelessness Grant received in 2017/18 now released to fund temporary accommodation costs, £21k released to War Memorials project (as described within the Communities Directorate section), £28k released from Healthy Living Centre reserve to fund various GRAND activities in 2018/19.

3.12 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 The introduction of International Financial Reporting Standard 9 (IFRS9) will require local authorities who hold certain types of financial instruments to account for any growth or reduction in the capital value of those investments in their annual accounts. The council may need to consider providing a buffer against any potential decline in income from such investments if they are to avoid shocks from the movement in the capital value of those investments. The detail of this initiative is currently subject to a consultation exercise but the proposal from central government is that local authorities would be able to delay introduction of this for three years; accordingly, authorities would then have the option to either extract themselves from such investments or build up their reserves to cover any movements within the three-year period. The Finance Team are currently evaluating the impact of this accounting standard upon the authority's investment portfolio, and an appropriate response to the impact will be detailed once the consultation responses have been considered by central government.
- 3.12.3 The date for the Autumn Budget has been announced as 29 October 2018 and it is hoped this will provide some steer on the future of local government funding post-2020. Indications from professional journals and council network groups continue to suggest a shift in funding from lower tier authorities (such as Gravesham) to upper tier authorities. Media reports suggest the release of information regarding the overall spending envelope for local government will come as part of this year's Autumn Budget in November, with the Spending Review 2019 announced in Spring 2019 and indicative funding allocations to be issued mid-2019.

4. GENERAL FUND CAPITAL PROGRAMME

4.1 The following table details the General Fund Capital Programme as at Quarter 2, this includes the revised original budget for 2018/19, taking into consideration adjustments for carried forward items, as approved by the Section151 Officer and Management team.

Scheme	2018/19 Original Budget inc C/Fwd £	2018/19 Approved Adjustments £	2018/19 Working Budget £	2018/19 Actual Expenditure Qtr 2 £	Outstanding Balance £
Older Persons Champion	6,410	0	6,410	1,028	(5,382)
Essential Repairs to Buildings	99,000	0	99,000	23,503	(75,497)
Gravesend Cemetery Improvements	21,580	0	21,580	0	(21,580)
Local Enterprise Partnership Projects	56,920	0	56,920	4,101	(52,819)
Town Pier Pontoon	84,000	0	84,000	49,725	(34,275)
Parrock St Car Park - Toilet Block (Provision)	34,220	0	34,220	0	(34,220)
Purchase of Vehicles (DSO Fleet)	205,000	0	205,000	46,638	(158,362)
Gatekeeper Replacement	50,000	0	50,000	0	(50,000)
Replacement Artificial Sports Pitches	0	50,000	50,000	0	(50,000)
New Wheeled Bins for Flat Recycling	100,000	0	100,000	0	(100,000)
Waste & Horticulture back office system	200,000	0	200,000	0	(200,000)
Replacement Playground Programme	220,000	0	220,000	117,695	(102,305)
Queen Elizabeth II Statue	38,650	0	38,650	9,098	(29,552)
IT Equipment Review	50,540	0	50,540	24,753	(25,787)
Virtual Desktop Infrastructure Software	8,800	0	8,800	8,869	69
Information at Work - Retention Module Software	13,970	0	13,970	13,965	(5)
Civica Financial System upgrade	22,070	0	22,070	13,795	(8,275)
Brookvale Office Accommodation	1,500,000	0	1,500,000	9,930	(1,490,070)
St John's House - Refurbishment	70,000	0	70,000	0	(70,000)
Property Acquisition Programme	9,141,200	1,700,000	10,841,200	8,475,415	(2,365,785)
Land Acquisiton Programme	0	3,898,430	3,898,430	239,623	(3,658,807)
Heritage Quarter - St George's Centre	0	14,242,970	14,242,970	0	(14,242,970)
	11,922,360	19,891,400	31,813,760	9,038,138	(22,775,622)

Table 5: General Fund Capital Programme 2018/19

- **Older Persons Champion** – the budget for a number of projects was carried forward from 2017/18. Two new benches have now been installed at Portreeve Court. The match funding for Age UK North West Kent bathroom refurbishment is still available.
- **Essential Repairs to Buildings** – new LED / motion sensor lighting has been installed in the north and south stairwells of the Civic Centre. The retention in respect of concrete repairs to Civic Centre has been retained pending the work being signed off by the consultant.
- **Gravesend Cemetery Improvements** - the new cemetery software is currently being implemented.
- **Local Enterprise Partnership Projects (LEP Funded)** – Rollout of the way-finding signage extension has been completed barring snagging. Town centre Way Finding signage is now complete with no further changes anticipated until the Barrack Row bus interchange is built in 2019.
- **Town Pier remedial works** – emergency works were 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. Work to the Timber deck has now been completed.
- **Purchase of Vehicles (DSO Fleet)** - A number of vehicles have been purchased in the current year and orders have been placed which will use the majority of 2018/19 budget.

- **Gatekeeper Replacement** – a dialogue has been entered into with Arriva to facilitate the continuation of bus services supporting the town centre whilst simultaneously delivering the associated SRT saving.
- **New Wheeled Bins for Flat Recycling** - a review is taking place looking at the blocks of flats to determine the number of bins required.
- **Waste & Horticulture Back Office System** – the procurement process for the back office system is currently underway.
- **Replacement Artificial Sports Pitches** - The council has agreed in principle to providing £50,000 towards the replacement of the artificial pitch surface as operated by the Gravesham Sports Trust, located at the Gravesend Rugby Football Club site. This facility was highlighted within the Gravesham 2016 Playing Pitch Strategy as strategically important to the local area but in need of refurbishment. The trust are currently sourcing some additional funds to cover the total cost of replacement (approximately £250k) including the Gravesend Grammar School, Hockey Foundation etc.
- **Replacement Playground Programme** – The sites at Cascades and Windmill Hill have both been completed and plans for the next round of refurbishments are being finalised.
- **Queen Elizabeth II Statue** – expenditure on the Queen’s statue has been wholly funded from third-party contributions. The Right Reverend James Langstaff, Bishop of Rochester and Bishop to H.M. Prisons unveiled the statue jointly with the Leader of the Council on 26th July 2018.
- **IT Equipment review** - work on this project is nearing completion with only a few departments awaiting their new equipment to be installed.
- **Virtual Desktop Infrastructure software** – the work on the “Workspace Suite” phase for mobile devices has now been completed.
- **Information at Work - Retention Module Software** – the module has now been installed.
- **Civica Financials System Upgrade** –There has been a delay in commencing the works required to upgrade the reporting and operations element of the system and to upgrade the server hosting the council’s financial systems.
- **Brookvale Office Accommodation** - the accommodation project is progressing at a slower pace than was previously expected. There are no further developments to report at this stage.
- **St John’s House Refurbishment** - The appointed contractor Manor Services are on site and the works are progressing well and are scheduled to complete during the first week of November.
- **Property Acquisition Programme** – in June 2018 Full Council approved an extension of £1.7m to the funding available to deliver the council’s Property Acquisition Strategy, taking the total funding available to £21.7m allowing for a further two potential acquisitions to be made to the benefit of the council’s investment property portfolio. At the end of June the council acquired the long leasehold interest in the site at Stuart Road, Gravesend, currently tenanted by Wickes. The council is currently seeking to finalise its final purchase under the property acquisition programme.

- **Land Acquisition Programme** - during the first quarter the council concluded its acquisition of land at Dering Way and secured a further small town centre site under the Land Acquisition Programme, intended to enable the council to secure land assets within the borough which could assist the council with potential development and revenue generating opportunities in the future. There has been no further activity under this programme in quarter two.
- **Heritage Quarter (St George's Centre)** - in May the council terminated the Development Agreement between the council and Queenridge Properties Ltd/Edinburgh House and agreed to enter into an agreement with Reef Estates to regenerate the Town Centre focusing on the St George's Shopping Centre and the areas known as the Eastern and Western Quarters. The first phase of this agreement, focusing on the reinvigoration of the St George's Shopping Centre, was signed off in June and resulted in the council becoming the custodian of the sum of £14.2m for the purposes of delivering improvements to the Shopping Centre, including the construction of the Leisure Quarter, mall enlivenment and entrance enhancement works. The planning application for the first phase of the refurbishment of the St Georges Shopping Centre was submitted in August and includes the works to re-enliven the mall areas of the 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 01/04/2018 £	Actual Income 2018/19 £	Proposed Use of Funding 2018/19 £	Projected Balance 31/03/2019 £
Capital Receipts	(1,145,475)	(6,670)	276,990	(875,155)
S106 Capital Contributions	(274,490)	0	0	(274,490)
Capital Grants unapplied	(588,280)	0	388,250	(200,030)
Total Capital Resources	(2,008,245)	(6,670)	665,240	(1,349,675)

Table 6: General Fund Capital Resources 2018/19

Capital Grants Unapplied	Opening Balance 01/04/2018 £	Actual Income 2018/19 £	Proposed Use of Funding 2018/19 £	Projected Balance 31/03/2019 £
Public Realm Improvement & Maint Funds	(213,540)	0	213,540	0
Transport Quarter Stage 3	(223,610)	0	174,710	(48,900)
Localised Council Tax Support	(89,220)	0	0	(89,220)
Local Enterprise Partnership Funding	(6,910)	0	0	(6,910)
Land at South of Hever Court Road	(55,000)	0	0	(55,000)
Total Capital Grants Unapplied	(588,280)	0	388,250	(200,030)

Table 7: Capital Grants Unapplied 2018/19

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 2018/19 £	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. This balance will be used to fund part of the Housing capital programme in 2018/19.
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
Springhead Leisure Contribution	(150,000)	0	0	(150,000)	To provide additional and/or improved play facilities at the Recreational ground and if not expended in 7 years after payment any unspent sum should be repaid
Total S106 Contributions	(274,494)	(255,680)	(81,000)	(611,174)	

Table 8: S106 Contributions 2018/19

5 HOUSING REVENUE ACCOUNT

5.1 Budget 2018/19

- 5.1.1 The table below sets out the current forecast spend against the original budget for the Housing Revenue Account (HRA), based on variances to 30 September 2018.
- 5.1.2 As at 30 September 2018 the forecast reflects a saving of £687k due to variances within Supervision and Management, Repairs and Maintenance and Capital Finance against the Original Budget.

Description	Original Budget 2018/19 (£)	Forecast 2018/19 (£)	Variation (£)
Supervision and Management	6,014,770	5,762,300	(252,470)
Repairs and Maintenance	7,766,870	7,351,870	(415,000)
Depreciation	6,813,840	6,813,840	0
Supporting People Fund - Expenditure	667,200	667,200	0
Capital Finance	6,539,560	6,519,560	(20,000)
Sub Total Expenditure	27,802,240	27,114,770	(687,470)
Rents of Dwellings	(25,298,700)	(25,298,700)	0
Other Rental Income	(33,370)	(33,370)	0
Service Charges	(1,380,300)	(1,380,300)	0
Non Dwelling Income	(327,130)	(327,130)	0
Supporting People Fund -Service Charge Income	(103,480)	(103,480)	0
Supporting People Fund - Grant	(418,160)	(418,160)	0
Other Income	(112,260)	(112,260)	0
Sub Total Income	(27,673,400)	(27,673,400)	0
Contributions to/(from) reserves	(128,840)	558,630	687,470

Table 9: Housing Revenue Account 2018/19

5.2 SUPERVISION & MANAGEMENT – £252k FAVOURABLE VARIANCE

- 5.2.1 **Vacancy Management: £272k favourable variance** – the HRA staffing budget for 2018/19 incorporates a vacancy allowance of £100k for the year. It is anticipated that this will occur throughout the establishment as a whole from natural staff turnover within day-to-day business activities, as well as posts held vacant pending the re-design of services. In the second quarter to 30 September 2018, actual staffing spend was £272k lower than budgeted.
- 5.2.2 **Stock Condition Survey: £20k adverse variance** – It has been agreed to increase the number of properties included in the 2018/19 stock condition survey from 1,000 to 2,000 properties. This brings forward work proposed for 2019/20 and will produce enhanced financial information which will improve the quality of future financial projections on repairs and maintenance spend to inform both the revenue and capital programme for 2019/20 and beyond. The cost of the additional properties to be surveyed will result in an additional cost of £20,000.

REPAIRS & MAINTENANCE – £415k FAVOURABLE VARIANCE

- 5.2.3 **Repairs & Maintenance: £420k – favourable variance** – As reported in the 2017/18 outturn report, significant changes within the Responsive Repairs Team continue to deliver efficiencies and savings whilst providing an equitable service that meets the council's objectives as a landlord as well as managing tenant's expectations. The IT system that was introduced continues to support the evolution of the service. It creates further opportunities to work in smarter ways to deliver efficiencies and savings, underpinned and reinforced by the introduction of the new and updated policies 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. These changes align to recommendations of the Overview Scrutiny Committee; Housing repairs Topic Review (Part 2). The position is reduced from that reported in Quarter One following the decision by Cabinet to expand the in-house Building Management Team; the report to Cabinet set out the need to make a contribution to the Vehicle Replacement Reserve to offset the capital cost of new vehicles required for the additional staff. Whilst the current projected underspend at the end of the current financial year is likely, it is also important to remember that this budget funds a reactive service where demand naturally fluctuates in response to factors outside of the council's control.
- 5.2.4 **Other Minor Variances: £5k adverse variance** – a number of minor variances have been reported within Repairs & Maintenance, the net effect of these variances is £5k

5.3 CAPITAL FINANCE – £20k FAVOURABLE VARIANCE

- 5.3.1 **Interest Payable: £20k – favourable variance** – the HRA's share of interest costs on external borrowing is lower than originally budgeted as no additional debt was taken in 2017/18.

5.4 Working Balances and Reserves

- 5.4.1 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 2017/18	3,000,000
Variances per budget report	558,630
Forecast working balances C/Fwd (as at 30 September 2018) including minimum HRA Working Balance	3,558,630
Less: Transfer to HRA General Reserve (Revenue)	(558,630)
Forecast Usable Working Balances C/fwd (as at 30 September 2018)	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 01/04/2018 £'000	Forecast Use of Reserve (Expenditure) £'000	Forecast Contributions (Income) £'000	Forecast Balance 30/06/2018 £'000
HRA General Reserve (Revenue)	(7,441)	2,873	(559)	(5,127)
Total	(7,441)	2,873	(559)	(5,127)

Table 11: Analysis of Specific Reserves – HRA

5.5 HRA Business Planning

- 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.
- 5.5.2 The HRA Business Plan reflects the current and future financial spend profiles identified in the recent Stock Condition Survey produced by Penningtons in July 2018. It also reflects future forecasts of the New Build Programme beyond the existing three year scheme based on the current assumption of the sale of 30 Council Houses per annum.
- 5.5.3 The latest version of the HRA Business Plan is attached to this report at Appendix Three.
- 5.5.4 On August 14th government launched the Social Housing Green Paper, setting out the intention to boost home ownership by allowing households to buy as little as 1% of their council houses every year under a type of shared ownership scheme with their local authority or housing association. Currently there is a requirement to buy at least 10%. Other proposals include the introduction of league tables for social housing providers, increasing the strength of the social housing regulator to ensure social homes are well managed and of decent quality and a future consultation on enabling councils to offer residents greater security through fixed-term tenancies.
- 5.5.5 Following on from the publication of the Social Housing Green Paper, government have released a consultation paper on right to buy sales. The consultation invites views of options to change the rules governing the use of monies raised from right to buy sales with the intention of making it easier for councils to build more homes. The council has responded to this consultation.
- 5.5.6 A further consultation was launched in September seeking views on social housing rents from April 2020 onwards. The consultation set out the proposals to implement the previously made announcement of permitting increases in social rents of up to CPI+1% for five years from 2020.
- 5.5.7 At the Conservative Party Conference, Prime Minister Theresa May announced the intention to lift the Housing Revenue Account borrowing cap for council house building as a means to deliver more housing in local communities. The announcement was subsequently confirmed by the Ministry for Housing, Communities and Local Government, with further details to be confirmed in the Autumn Budget.
- 5.5.8 Government have also cancelled proposals to require local authorities to sell-off high-value council housing as a means to fund lower value social housing.

6 HOUSING CAPITAL PROGRAMME

- 6.1 The Housing Capital programme for 2018/19 is £14,480,140 of which £13,383,240 relates to HRA capital schemes and £1,376,900 relates to non-HRA capital schemes. These budgets included £231,230 and £544,140, respectively that are carried forward from 2017/18.
- 6.2 The HRA capital schemes continued to focus on the minimum decent homes standard for the Council's stock in 2018/19, with £7,356,680 earmarked for this purpose within the Replacement, Improvement and Health & Safety Programmes. The council also continued its commitment to build new homes with £5,326,780 allocated for this purpose.

HOUSING CAPITAL PROGRAMME				
Ref No:	Project	Original Budget 2018-19 inc CFwd (£)	Expenditure Including Commitments (£)	Balance Outstanding (£)
A	Replacement Programmes	4,017,940	1,846,400	(2,171,540)
B	Improvement Programmes	2,228,320	1,635,260	(593,060)
C	Health & Safety Works	1,110,420	335,880	(774,540)
D	New Build & Acquisitions	5,326,780	5,308,730	(18,050)
E	Housing Computer Systems	600,000	0	(600,000)
F	Virtual Desktop Infrastructure	2,930	2,960	30
G	Replacement Play Equipment	80,000	0	(80,000)
H	IT Equipment Review	16,850	8,250	(8,600)
	Sub Total (HRA Capital Programme)	13,383,240	9,137,480	(4,245,760)
I	Disabled Facilities Grant	1,376,900	607,000	(769,900)
	Total (HRA & GF Capital Programme)	14,760,140	9,744,480	(5,015,660)

Table 12: Housing Capital Programme 2018/19

- 6.3 The works undertaken/completed in Quarter Two are detailed below:
- 6.3.1 **Replacement Programmes (Ref A)** - the following works have been completed within Quarter 2:
- 83 kitchen replacements;
 - 76 bathroom replacements;
 - 31 properties had new window and door replacements;
 - 501 properties had electrical tests and/or remedial works including rewiring, minor works and upgrades to consumer units;
 - 6 residential blocks had their roof completely replaced;
 - 5 domestic properties have had roof renewals
- 6.3.2 Across the Replacement Programmes, savings of £700k is expected to be achieved at the end of the Financial Year. Schemes within the programme that are contributing to this saving are £495k on Kitchen Programme Voids, £127k on Communal Area Upgrades and £78k on Roofing Programme.

6.3.3 Improvement Programmes (Ref B) - the following works have been completed within Quarter Two:

- 203 properties had new central heating systems installed;
- 40 properties had level access showers/wet rooms installed;
- 22 properties had over-bath installations;
- 12 stairs lifts were installed in properties;
- 2 properties had various adaptations completed including accessible kitchens, bathrooms and ramps;
- 16 properties received renewed soakaways;
- 1 property had major renovations completed;
- 1 property was converted from a 1 to 2 bedroom unit;
- 1 block had major works carried out on the mains water supply.

In addition to completed works, major renovation works are being carried out on two properties to modernise the homes and bring them in line with our expected standards.

6.3.4 Health & Safety Works (Ref C) - the following works have been completed in Quarter Two:

- Compartmentalisation works have been carried out in the basement of The Hive. The works were agreed as a preventative measure to help contain the spread of flames in the event of a fire. In addition to this, works have been carried out to protect the gas and electrical meters situated in the basement;
- 4 passenger lifts had modernisation works carried out to the lighting and alarm panels;
- 336 properties had smoke alarm installations completed.

6.4 New Build (Ref D)

6.4.1 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. The following is the reported position at the end of Quarter Two:

- The 10 unit scheme at Packham Road (now known as Alders Court) is in the final phase of works. The completion of 6 x 2 bed houses will be ready for occupation in late October and the 3 x 1 bed bungalows and 1 x 2 bed wheelchair compliant bungalow will be completed by mid November 2018;
- The council continues to purchase properties from the market. The cumulative purchases to date is 34 properties, of which 4 has been purchased in 2018/19;
- The conversion of the Kings Farm Estate Office to a 4 bed wheelchair home has completed and the property is now occupied;

- On completion of a successful tendering process, a contractor has been appointed to the St Hilda's Way project. Works on the scheme, comprising of 17 new homes, commenced on 17 September 2018;
- The planning application for 24 x 1 and 2 bed apartments and 8 x 3 bed houses for the redevelopment of Whitehill and Nansen Road was approved by the Regulatory Board in July 2018. Invitation to tender is expected to be sent out by mid-October with a turnaround period of 8 weeks;
- A planning application for the development of 48 new homes at Valley Drive is in the preliminary stages and is anticipated to be submitted for approval in the Autumn.

6.4.2 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 2018, the balance on the RTB Allowable Debt reserve fund stood at £425,980. 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.

6.4.3 Table 13 summarises the one for one 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
	£	£	£	£	
2012-14 c/f	1,518,530	3,543,220	5,061,750	19,194,350	31-Mar-17
2014-15					
Q1	174,940	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	865,790	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	1,805,700	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	691,020	987,170	25,176,290	30-Sep-20
Q3	730,460	1,704,420	2,434,880	27,611,170	31-Dec-20
Q4	433,800	1,012,210	1,446,010	29,057,180	01-Jan-21
2018-19					
Q1	694,160	1,619,710	2,313,870	31,371,040	30-Jun-21
Q2	839,000	1,957,670	2,796,670	34,167,697	30-Sep-21
	10,250,310	23,917,390	34,167,700		

Table 13: New Build

6.5 Housing Computer System (Ref E)

- 6.5.1 Discussions continue with Medway Council for the joint procurement of a new system and headway has been achieved in finalising the specification for the future needs of the business.
- 6.5.2 Our current system provider, Capita, has advised it is likely that formal notification of a sunset date is to be given during Quarter Four in the current year. Therefore a new system will need to be implemented, and officers proficient on the system by July 2021.
- 6.5.3 As previously advised in Quarter 1, it is unlikely that there will be any significant spend during the current year, with the majority of the capital expenditure being incurred in 2019/20.

6.6 Replacement Playground Equipment (Ref G)

6.6.1 A review of the housing play sites was completed and an action plan is currently being drawn up to establish the current needs for each site. Once completed, the capital funding will be allocated against the priority areas..

6.7 Disabled Facility Grants (DFGs) (Ref I)

6.7.1 The Private Sector Housing Assistance Policy has been revised and changes were implemented in April 2018. The changes in policy has enabled people to gain access to funding which otherwise would not have been available.

6.7.2 The DFG administration process continues to work well. 99 cases have been processed in the second quarter. Of the 99 cases processed, the breakdown is as follows:

- 19 grant cases were approved;
- 10 households had works completed;
- 7 applications were cancelled due to changes in the client's circumstances;
- 63 grant cases are awaiting approval.

6.7.3 Due to the recent changes in policy an additional four people have been assisted by the Health and Housing Co-ordinator in Quarter Two to have better managed hospital discharges. A further eleven people having benefited from measures which ensured they were discharged from hospital into a safer home environment, making the total number of beneficiaries to date twelve and twenty-nine respectively.

6.7.4 Notification for the MHCLG was received in June 2018 confirming the level of funding to be allocated to GBC in 2018/19. The grant awarded this year is £832,800. The total budget, including the rolled forward budget (committed and underspend) from 2017/18 of £544,100, brings the total funding available to £1,376,940.

6.8 Capital Resources

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

Housing Capital Resources	Opening Balance 01/04/2018 (£)	Income 2018/19 (£)	Use of Funding 2018/19 (£)	Projected Balance 31/03/2019 (£)
Capital Receipts - HRA	(1,085,850)	(255,140)	699,780	(641,210)
Capital Receipts - GF Housing	(27,770)	0	0	(27,770)
Capital Receipts - PV Panels	(3,573,000)	0	0	(3,573,000)
Major Repairs Reserve - Dwellings	(525,330)	(6,589,700)	6,656,670	(458,360)
Major Repairs Reserve - Non Dwellings	(451,220)	(224,140)	0	(675,360)
New Build Reserve: 1-4-1 Receipts	(5,248,330)	(1,016,620)	1,619,390	(4,645,560)
Right to Buy Allowable Debt Reserve	(425,980)	(627,570)	205,580	(847,970)
Disabled Facility Grants	(544,140)	(832,800)	1,376,940	0
Christianfields Overage	(766,000)	0	0	(766,000)
Total	(12,647,620)	(9,545,970)	10,558,360	(11,635,230)

Table 14: HRA and General Fund Housing Capital Resources 2018/19

6.8.1 Projected Capital Expenditure and funding requirements for the HRA can be found at Appendix Four to this report.

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 6 March Full Council approved the Treasury Management Strategy Statement for 2018-19, 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. A full list of internally managed investments held by the Council at 30 September 2018 can be found at Appendix Five of this report.
- 7.3 The Council currently pursues a variety of investment opportunities within its Treasury Management strategy:
- a) Around £10m is invested in Externally Managed Property Funds generating returns in the region of 3-5%.
 - b) A further £10m is invested in three Multi-Asset funds generating returns of around 3-4%.
 - c) Remaining cash balances are generally invested in short-term deposits and overnight money market funds currently generating returns of around 0.62%.
 - d) A total of £19.3m has been expended purchasing Investment Properties from which initial yields have typically been upwards of 6%.
- 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 - The first half of 2018/19 has seen UK **economic growth** perform modestly, but it was sufficiently robust for the Monetary Policy Committee (MPC) to unanimously vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up in 2019, albeit there were several caveats – mainly in relation to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.
- 7.6 The Consumer Price Index (CPI) measure of inflation was 2.4% in September, but it is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

- 7.7 Unemployment has continued at a 43-year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.
- 7.8 There is a current risk that the Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, Link's central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.
- 7.9 USA - President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption, which has generated strong growth, which rose from 2.2% in quarter 1 to 4.2% in quarter 2, but also an upturn in inflationary pressures. With inflation moving towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase rates four more times by the end of 2019.
- 7.10 EUROZONE - Growth was unchanged at 0.4% in quarter 2, but has undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

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 30 September against the original budget set for the 2018/19 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	