

Budget Monitoring Report No 3 2016-17

Cabinet	9 March 2017
Report Author	Head of Financial Services
Portfolio Holder	Cllr John Townend, Portfolio Holder for Financial Services and Estates
Status	For Information
Classification:	Unrestricted
Key Decision	No
Ward:	All Wards

Executive Summary:

Following a detailed review of the 2016/17 budget, expenditure is forecast to be £125k lower than budget, offset by a reduction in financing of £138k. The operational budgets continue to be under pressure particularly in respect of Operational Services. Financing pressures are forecast from the Kent business rates pool and work is in progress to establish the overall position. Note, this forecast position is subject to a further review including an examination of all associated balance sheet accounts which will be included in the Final Outturn report.

Since the 2nd budget monitoring report the **General Fund capital programme** is reporting no shortfall in funding of capital receipts, following Cabinet approval on 17 January of the revised capital programme and financing thereof. Of concern is the relatively low spend to date for Operational Services although a substantial purchase against the vehicle replacement programme is due to be placed. However, it should be noted that if delivery of the vehicles takes place in the new financial year this will mean that the actual spend will be incurred during the 2017-18 financial year and may result in a low outturn figure for this financial year.

The **Housing Revenue Account** is forecast to be £120k over budget, this increases the HRA budgeted deficit to £473k a breakdown of which is detailed within the report and supporting annexes. Note this position is subject to a further review including an examination of all associated balance sheet accounts which will be included in the Final Outturn report.

Recommendations:

That Cabinet notes the forecast position for 2016-17 for the General Fund.

That Cabinet notes the current Housing Revenue Account position.

That Cabinet notes the General Fund and Housing Revenue Account Capital Programmes and agree the budget changes detailed as per **Annex 1** and **Annex 3** for the General Fund capital and HRA.

CORPORATE IMPLICATIONS									
Financial and Value for Money	The financial implications have been reflected within the body of the report.								
Legal	Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, it is the Director of Corporate Resources (S151 Officer), and this report is helping to carry out that function.								
Corporate	Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the Council's current position.								
Equalities Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p> <table border="1"> <tr> <td colspan="2">Please indicate which aim is relevant to the report.</td></tr> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td><td></td></tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td><td></td></tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td><td></td></tr> </table> <p>There are no equity and equalities implications arising directly from this report, but the Council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.</p> <p>It is important to be aware of the Council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by Council.</p>	Please indicate which aim is relevant to the report.		Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,		Advance equality of opportunity between people who share a protected characteristic and people who do not share it		Foster good relations between people who share a protected characteristic and people who do not share it.	
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CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	✓
Promoting inward investment and job creation	✓
Supporting neighbourhoods	✓

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	

1.0 Introduction and Background

- 1.1 The report enables Cabinet to take an informed view of the forecast for the General Fund, as well as the forecast on the Housing Revenue Account (HRA) and HRA Capital Programme for 2016-17. The report summarises the main issues, with the detail being provided in the annexes.

2.0 Summary Outturn Position for the General Fund 2016-17

- 2.1 The forecast position on expenditure as at 31 December 2016 is an underspend of £125k as analysed in the table below

Directorate	Revised Budget	Forecast	Variance
	£000	£000	£000
Chief Executive	318	318	0
Operational Services	6,438	6,629	191
Community Services	4,016	3,767	-249
Corporate Resources	3,548	3,330	-218
Corporate Governance	1,298	1,449	151
East Kent Shared Services	3,501	3,501	0
Total	19,119	18,994	-125

- 2.2 A separate analysis of savings/income targets for 2016/17 is in progress and will be included in the final report.

- 2.3 Financing for the year is forecast to be £138k under budget as analysed below

Directorate	Revised Budget	Forecast	Variance
	£000	£000	£000
Council Tax	8,908	9,000	-92
Business Rates	4,830	4,600	230
Government Grants	5,381	5,381	0
Total	19,119	18,981	138

3.0 Directorate Performance

Chief Executive

- 3.1 There are no major variances to report at this time.

Operational Services

- 3.2 The service is forecast to overspend by £191k and the main variances are:

- Employee costs £70k mainly due to use of agency staff during transformation activities.
- Health and Safety officer £50k not included in the original budget
- Income targets not met £65k mainly in respect of additional garden waste collections that have been delayed until April 2017.

- Minor Expenditure £6k over revised budgets

Community Services

3.3 The service is forecast to underspend by £249k and the main variances are:

- Additional income £105k, Neighbourhoods £40k, Events £18k and Development control £47k
- Vacancy management £144k which will offset additional costs in operational services.

Corporate Resources

3.4 Savings of £218k are forecast on a budget of £3,548k and these are predominantly in respect of:

- Borrowing costs £292k lower than budget as a result of slippage in the capital programme offset by
- Employer contributions to the Pension Fund £74k higher than Budget.

Corporate Governance

3.5 Savings targets of £124k will not be met in year which is the main area of concern in a forecast £151k overspend:

- Net income from commercial property is forecast to be £27k lower than budget
- All commercial property is under review following the recent appointment of a Head of Service for Asset Management. Property software in use (Estateman) is also being upgraded in order to enable the examination of the operating costs of all assets currently in use.

General

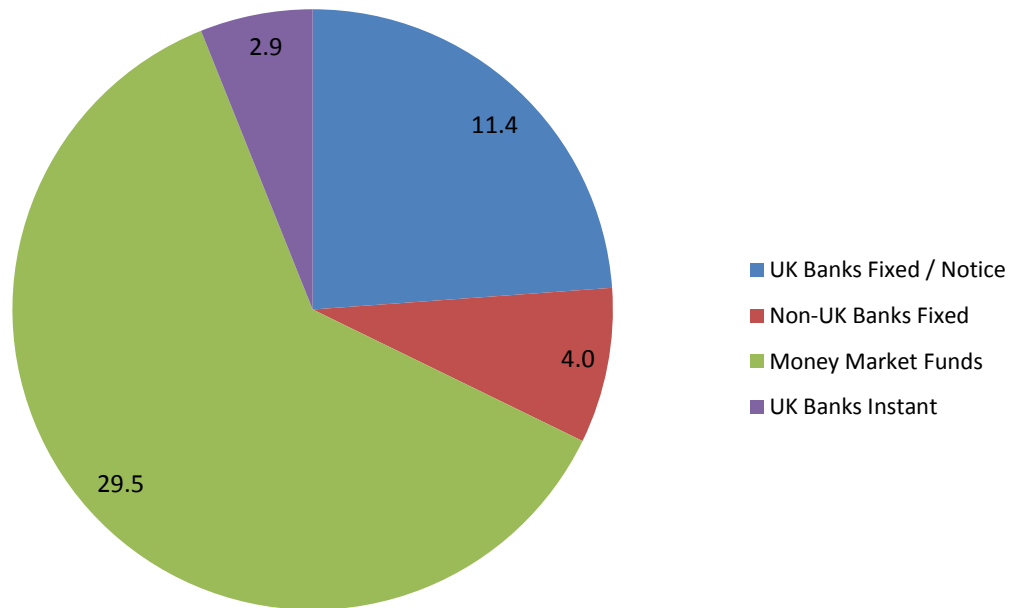
3.6 Between now and the end of the year, Financial Services will continue to work with budget holders to ensure that the forecast is delivered or improved. All budgets will be examined further as part of the process and carry forward of budgets will also be monitored to ensure that all contractual commitment is captured.

4.0 Treasury Management for Period ending December 2016

4.1 Key Highlights

- The average October-December cash balance invested was £47.826m (Q2 2016-17: £42.844m), ranging from £42.770m to £54.285m. The cash balance invested at the end of December was £45.539m.
- Investment interest income for the three months to the end of December was £0.050m, at an average rate of 0.42%.

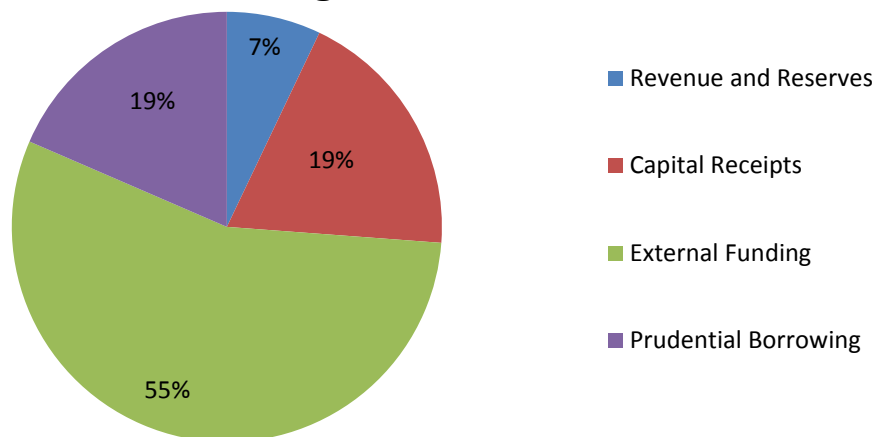
Average Cash Invested in Oct-Dec 2016 £47.8m



5.0 Capital Programme

5.1 Budgeted funding for the £11.9m programme is detailed below:

Budgeted Funding for 2016-17 GF Capital Programme



5.2 Funding of the Capital Programme:

Funding Source	Revised Budget £	Budget %
Revenue and Reserves	843,800	7
Capital Receipts	2,276,000	19
External Funding	6,590,100	55
Prudential Borrowing	2,205,000	19
Total	11,914,900	100

- 5.3 To date, 68% of the Capital programme has been committed to be spent and a breakdown for each Directorate is detailed within the table below. Of concern is the relatively low spend to date for Operational Services although a substantial purchase against the vehicle replacement programme is being placed. However, if delivery of the vehicles takes place in the new financial year this will mean that the actual spend will be incurred during the 2017-18 financial year and may result in a low outturn figure for this financial year. A detailed programme is provided within **Annex 1**.

General Fund Capital Programme	Revised Budget £	Committed Spend to Date £	Budget Remaining £	Percentage Committed %
Corporate Resources (East Kent Services)	145,900	89,800	56,100	62
Community Services	8,667,500	6,879,100	1,788,400	79
Operational Services	3,026,400	1,111,000	1,915,400	37
Total	11,839,900	8,080,000	3,759,900	68
Capital Salaries	75,000			-
Grand Total	11,914,900	8,080,000	3,759,900	68

5.4 General Capital Investment

The General Fund 2016-17 capital programme includes the following major works:

- Dreamland Heritage Park (including Sunshine Café) (£4.06m)
- Disabled Facilities Grants (£1.6m)
- Dalby Square Grants (£1.7m)
- Ramsgate Port – Berth 2/3 & 4/5 Replacement (£1.2m)
- Vehicle Replacement Programme (£1.4m)

Payroll-HR System: This project is finished and we are awaiting final recharge from

East Kent Services.

Building Safer Communities: Purchase of engagement vehicle as per 1 Dec 2016 Decision of Individual Cabinet Member.

Empty Properties Initiative: Un-ring-fenced grant reallocated to the HRA.

Dalby Square: Deferral of £80k budget as per 17 Jan 2017 Cabinet report.

Margate Housing Intervention – Loan Scheme: £150k budget reduction to reflect external funding restrictions.

Public Conveniences: Budget removed as project completed.

Swimming Pool /Sports Hall Essential Capital Repairs: Removal of budget as per 17 Jan 2017 Cabinet report.

Ramsgate Port - Berth 2/3 & 4/5 Replacement: Berth 4/5 project varied by Member Decisions to include Berth 2/3 and increase budget by £679k. Deferral of £600k budget as per 17 Jan 2017 Cabinet report and subsequent re-profiling of £100k from the initial £600k deferral.

CCTV: Deferral of £400k budget as per 17 Jan 2017 Cabinet report.

Vehicle Replacement Programme: Deferral of £900k budget as per 17 Jan 2017 Cabinet report.

Multi-Storey LED Lighting: Project agreed at 1 Dec 2016 Council meeting.

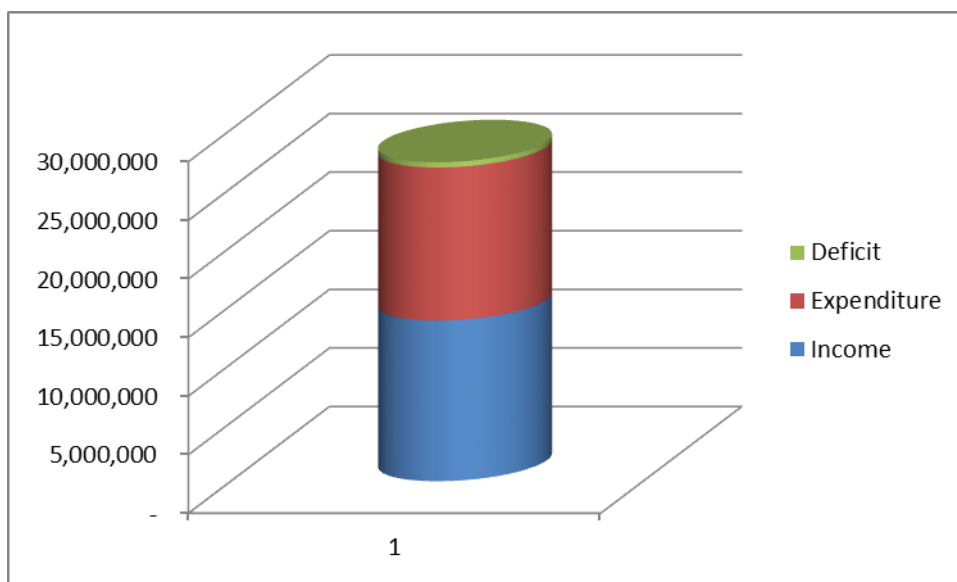
- 5.5 General Fund net property receipts for the nine months to the end of December 2016 are as follows:

Property	Amount £
Ramsgate Swimming Pool	250,000
College Road land rights	17,875
Sandwich Road foreshore land easement	26,151
Land at Ramsgate Royal Sands	1,813,015
Capital receipts balance	2,107,041

6.0 HRA

- 6.1 The current forecast is showing a deficit of £473k, an increase of £120k against that budgeted.

Graph: HRA INCOME £13.7m AND EXPENDITURE £13.0m



- 6.2 The HRA budgeted for a small deficit of £353k as part of its plan. The addition of £120k will be funded from the overall HRA balance of £5.29m.
- 6.3 There have been delays in the Ramsgate and Margate Housing Intervention Programmes which have impacted on achieving affordable rents. The loss of affordable rental income is currently £44k.
- 6.4 There is a loss of rent of £47k on garages due to a number of sites awaiting demolition and a number of garages that became void are being held vacant while occupiers of the sites due for demolition are moved.
- 6.5 There is an increase in void turnaround in High Rise blocks and this has impacted on the income received from service charges and communal heating. The impact is a loss of income of £20k.
- 6.6 There is an increase in income of £25k due to leaseholder contributions and legal costs recovered. A small area of HRA land was also sold for £9k.
- 6.7 East Kent Housing have forecast a number of overspends relating to repairs and maintenance, currently showing an impact of £140k. The main overspends are contract works that are not included in the price per property schedule, voids, asbestos, damp works and emergency lighting. EKH are currently reviewing all repairs and maintenance budgets and will provide an update to the Head of Housing on how the overspends can be contained within budget.
- 6.8 A breakdown is attached with regard to the Housing Revenue Account **Annex 2** and Housing Capital Expenditure at **Annex 3**.

7.0 Asset Disposal

- 7.1 In line with the Asset Disposal Policy, assets disposed of over £5k in value require subsequent reporting to Cabinet.
- 7.2 In February 2017, the Council sold off the Scenic Railway spares package for £45,088 to the operator.

8.0 Recommendations

- 8.1 That Cabinet notes the projected outturn position for 2016-17 for the General Fund.
- 8.2 That Cabinet notes the current Housing Revenue Account position.
- 8.3 That Cabinet notes the General Fund and Housing Revenue Account Capital Programmes and agrees the budget changes detailed as per **Annex 1** and **Annex 3** for the General Fund capital and HRA.
- 8.4 That Cabinet note the asset disposal.

Contact Officer:	Ken Trotter – Interim Head of Finance
Reporting to:	Tim Willis Director of Corporate Resources and S151

Annex List

Annex 1	General Fund Capital Programme
Annex 2	Housing Revenue Account
Annex 3	Housing Revenue Account Capital Programme

Background Papers

Title	Details of where to access copy
2015/16 Budget and Medium Term Financial Plan.	Full Council Agenda 5 th February 2015

Corporate Consultation

Finance	N/A
Legal	Ciara Feeney Head of Legal Services