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## **BUDGET MONITORING REPORT 2015/16**

To: **Cabinet – 03 March 2016**

Main Portfolio Area: **Financial Services and Estates**

By: **Councillor Townend, Portfolio Holder for Financial Services and Estates**

Classification: **Unrestricted**

Ward: **All**

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**Summary:** **To inform Cabinet of the latest budget monitoring position against the General Fund, Housing Revenue Account and HRA Capital Programme for 2015/16.**

### **For Decision**

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#### **1.0 Introduction**

**1.1** The report enables Cabinet to take an informed view of the likely financial out-turn for the General Fund, as well as the likely outturn on the Housing Revenue Account (HRA) and HRA Capital Programme for 2015/16. The report summarises the main issues, with the detail being provided in the annexes.

#### **2.0 Summary Outturn Position for the General Fund 2015/16**

**2.1** Monitoring has now been undertaken covering the period ending 31 December of the financial year 2015/16 and a breakeven position is anticipated. However, in achieving a breakeven position emerging pressures such as the on-going delivery of savings factored in as part of the 2015/16 Budget Build and the restructuring of Front Line Services have been assumed to be containable within existing resources.

**2.2** As indicated above savings factored in as part of the 2015/16 Budget Build will need to be carefully monitored in order to ensure that they are delivered as expected. With nine months monitoring data we now have a better understanding of the potential outturn position. There remains pressure to deliver a breakeven position, however the current position will be carefully monitored over the coming months and corrective action will be taken if necessary to bring it back to a balanced budget position.

**2.3** At the end of last financial year the Council had to make increased provision for settlement payments with regard to the temporary ban on animal exports from earmarked reserves and there are further on-going negotiations. In terms of liabilities, the Council is exposed to the outcome of the Health and Safety Executive report with regard to some employees and a potential grant repayment.

**2.4** As identified as part of the 2016/17 Budget Build, one off settlements such as these have put a substantial strain on the finances of the Council and seen a reduction of the available useable reserves. It has been necessary to contain spending across the Council and put in

place a number of constraints.

**2.5** A separate report was taken to Cabinet for approval to amend the funding of the Capital Programme in order to release some revenue funding sources to enable funds to be set aside for impending one off budgetary payments.

**2.6** Increased activity at the Port and the arrival of GEFCO has identified the need for further dredging and to facilitate this one off funds were used to meet these costs in order to achieve further commercial interest.

**3.0 General Fund Detail By Directorate:**

**Chief Executive**

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

**Operational Services**

**3.2** There are no major variances to report at this time, however:

- There remains pressure to deliver the new look Frontline Service and work is continuing to ensure that this remains within budget
- Currently there is pressure on this service to deliver a breakeven position. However; Managers will continue to do all they can to facilitate this across Frontline Services, exploring opportunities to deliver efficiencies.

**Director of Community Services**

**3.3** There are no major variances to report at this time although, as indicated above there remains pressure to deliver savings factored in as part of the 2015/16 Budget Build:

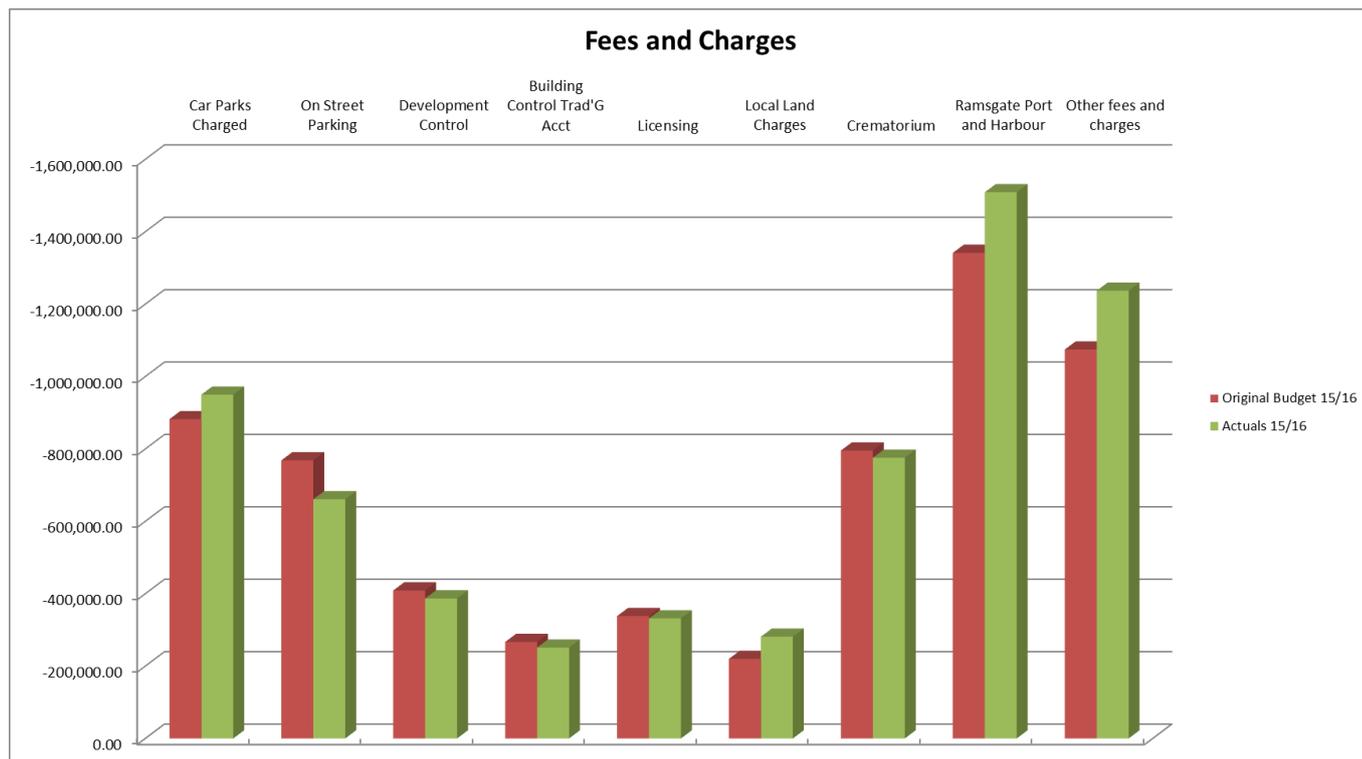
**Director of Corporate Resource**

**3.4** There are no major variances to report at this time:

**General**

**3.5** Financial Services have started to work with Managers to ensure that savings are assessed and that the impact if any is monitored managed and reported. This will include supporting the on-going change programme within Frontline Services to deliver the new look Recycling and Waste Service.

## 4.0 Fees and charges trends up to end of December 2015

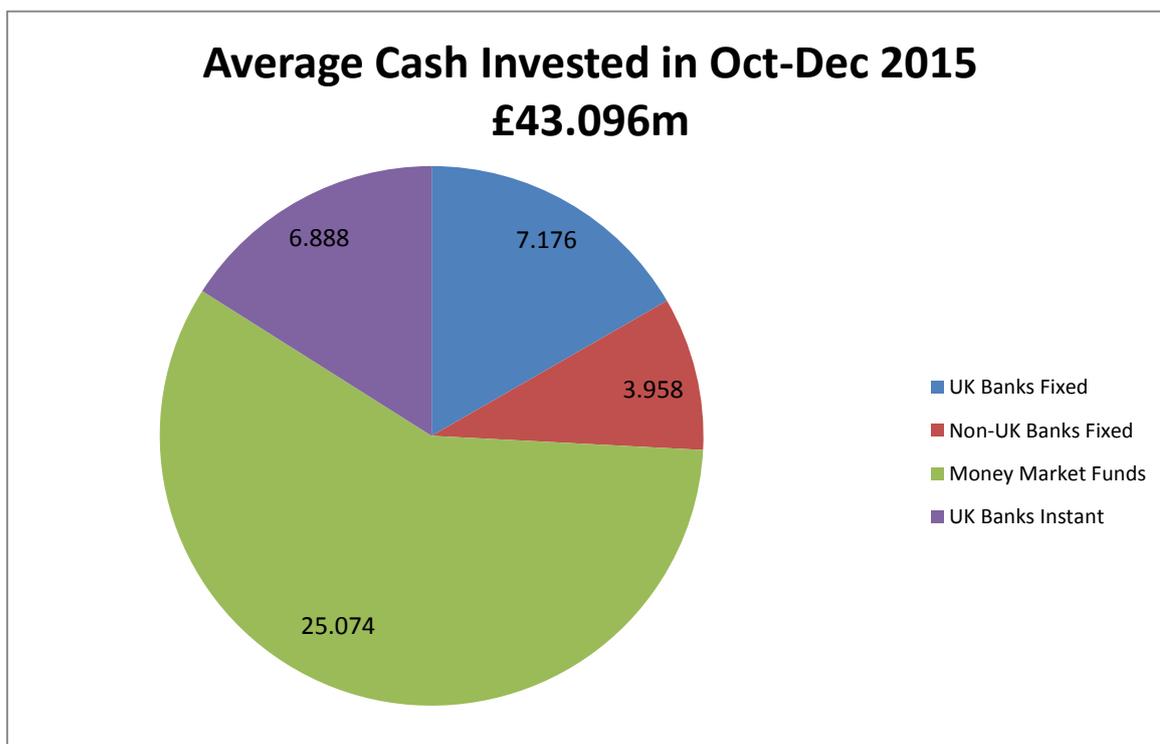


4.1 Currently Fees and Charges appear on target for the year based on period ending 31 December, these will continue to be monitored over the balance of the year and any variance will be reported accordingly.

## 5.0 Treasury Management for Period ending December 2015

### 5.1 Key Highlights

- The average Oct-Dec cash balance invested was £43.096m (Q2 2015/16: £37.908m), ranging from £39.402m to £49.944m. The cash balance invested at the end of Dec was £42.170m.
- Investment interest income for the three months to the end of Dec was £0.058m, at an average rate of 0.53%.



## 6.0 Housing Revenue Account

- 6.1 There is currently an increased projection in respect of the use of balances of £1.3m against the original budget. A number of Cabinet reports have been agreed since the initial budget setting allowing for the utilisation of HRA balances to fund revenue contributions to the Capital Programme of works for the Fort Road Hotel and 93 Westcliffe Road, which total £816k of the increase.

### Key Highlights

- Projected loss of achievable affordable rental income due to slippage in the Empty Homes and Margate Intervention programmes estimated at £71k
- Projected loss of income on garage sites due to those identified for re-development being vacated and awaiting demolition estimated £96k
- Increased repairs and maintenance expenditure on vandalism due to higher insurance excesses.
- Increased repairs and maintenance expenditure on asbestos removal costs due to works being carried out following void inspections.

Further detail with regard to the Housing Revenue Account is shown in Annex 3.

## 7.0 Capital Programme

- 7.1 Reports on the General Fund and HRA capital programmes are detailed in **Annex 1** and **Annex 2** respectively.

- 7.2 General Fund property receipts for the nine months to the end of December 2015 are as

detailed below. £1,368,303 of these receipts are for assets disposed of as part of the 2014/15 programme but where the disposal receipts slipped into 2015/16.

<b>Property</b>	<b>Amount £</b>
30 Ozengell Place	13,302
1 Ozengell Place	25,823
The Pavilion & Garden on the Sands	460,000
York Gate House	620,000
Land between College Road & Tivoli Road	39,000
Land Covell's Row	33,000
Land adj 84 Margate Road	36,000
4c York Street	84,000
Land Booth Place	83,000
Princes Road Store	34,000
Ramsgate Harbour Slipways Lease	50,000
Tractor	17,750
Land at Marina Esplanade	20,000
Land at Park Lane	50,000
Sea View Terrace WCs	215,000
Leigh Road Security Hut	45,000
St Lawrence WCs (deposit only)	3,600
Less disposal costs	(21,185)
<b>Capital receipts balance</b>	<b>1,808,290</b>

### 7.3 General Capital Investment

The general capital investment programme includes the following major works:

- Dreamland Heritage Park
- Disabled Facilities Grants

- North Thanet Coast Line Capital Sea Wall Construction Scheme

Following receipt of tenders for enhancements to Joss Bay public conveniences, the Public Conveniences budget has been reduced to £75,000. When a capital budget underspends or the tender is identified as lower than that previously anticipated the budgetary saving is utilised towards the balancing of the overall capital programme for that year.

#### 7.4 HRA Key Highlights

- A report has been carried out to review fire safety. A number of works have been identified from this report and a 3 year programme has been proposed to from 2016/17. Underspends against fire precaution works showing in this financial year will be set aside in Major Repairs Reserve to fund these costs.
- Staner Court Car Park has been identified as in need of major repairs. The 2015/16 Estate Improvement capital budget will be utilised to fund the works as discussed with the Tenant Board. Some of the works have been identified as revenue costs and so it is proposed to move £23k of the 2015/16 Estate Improvement budget to re-align the budget with the expenditure requirements.
- The King Street development project has been allocated HRA funding. The works have commenced on site and current forecasts project the development is within budget. It is proposed to utilise £480k of Right to Buy 1-4-1 Capital Receipts as the allotted time in which to use them is fast approaching, this will enable £480k to be returned to the New Properties Reserve to fund other developments.
- 1 Godwin Road currently resides within the Margate Intervention Programme for redevelopment; it has been identified that 30% of the cost of works can also be funded from the use of Right to Buy 1-4-1 receipts. It is therefore proposed to utilise 1-4-1 receipts towards the funding of the redevelopment.
- 54 Trinity Square has £100k of HRA funding allocated to the project. This property is now included in the Margate Housing Intervention Programme and it is proposed that the £100k is moved to the Margate Housing Intervention programme budget to continue to fund this development.

**8.0** Members are asked to agree the budget virements detailed as per **Annex 1** for the General Fund capital programme and **Annex 2** for the HRA capital programme.

#### 9.0 Procurement Update

##### 9.1 Contracts let 2015 - £75k and above.

For details of all contracts let see **Annex 4** – Contracts Let - £75k and above 2015.

##### 9.2 Contract waivers approved

Contract Standing Orders (CSO's) do allow, where there is a justified business reason, the waiving of some of our local rules in regards to TDC processes and procedures for procurement, which are not captured by EU Procurement Directives. All applications are scrutinised to ensure that a waiver is applicable and that both probity and value for money will be achieved if approval should be given. The list of waivers approved during 2015 is contained at **Annex 5** – Contract Waivers Approved – 1 January – 31 December 2015.

Please find a couple of Working Examples to aid context:

Example 1

Stock Investment	Cyclical Refurbishment and Repairs (External/Internal Decorations and Minor Repairs)	1,400,000.00
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The above procurement was processed via a Purchasing Consortium (South East Consortium) on behalf of the Council and they wished to receive electronic tender submissions through their chosen software. Therefore, the waiver application was deemed justified and the following was approved as follows - Contract Standing Order 11: Submission and opening of Tenders which requires hard copy tender submissions addressed to Democratic Services and Scrutiny Manager, was waived in this instance, however all other CSO's were met.

Example 2

Street Scene Enforcement	CCTV Maintenance Contract	64,902.00
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Whilst undertaking a market and operational review which will result in replacement of existing CCTV system, it is sensible to extend the maintenance with current supplier due to their working knowledge without a call for competition. Therefore, the waiver application was deemed justified and the following was approved as follows - Contract Standing Order 7.4: Procedure to be followed of three written quotes in advance, was waived in this instance, however all other CSO's were met.

### 9.3 Procurement Programme January 2016 – December 2016

A full programme of contracting requirements for contract spend of £75k and above is in place for 2016 which has been compiled from a combination of submitted Procurement Initiation Forms and budget build/budget monitoring.

## 10.0 Corporate Implications

### 10.1 Financial

10.1.1 The financial implications have been reflected within the body of the report.

### 10.2 Legal

10.2.1 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, and this report is helping to carry out that function.

### 10.3 Corporate

10.3.1 Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the Council's current position.

## 10.4 Equity and Equalities

10.4.1 There are no equity or equalities issues arising from this report.

## 11.0 Recommendations

- 11.1 That Cabinet notes the projected outturn position for 2015/16 for the General Fund;
- 11.2 That Cabinet notes the projected Housing Revenue Account position and agrees the revised utilisation of 1-4-1 receipts as per para 7.4;
- 11.3 That Cabinet notes the General Fund and Housing Revenue Account Capital Programmes and agrees the budget virements detailed as per **Annex 1** and **Annex 2** for the General Fund and HRA respectively;
- 11.4 That Cabinet notes the position in relation to Procurement.

## Annex List

Annex 1	General Fund Capital Programme
Annex 2	HRA Capital Programme
Annex 3	Housing Revenue Account
Annex 4	Contracts Let
Annex 5	Contract Waivers

## Background Papers

none

## Corporate Consultation Undertaken

Finance	Matthew Sanham – Corporate Finance Manager
Legal	Tim Howes – Director of Corporate Governance

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