

Budget Monitoring Report No 2 2016-17

Cabinet	17 November 2016
Report Author	Peter Timmins
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:

Monitoring has now been undertaken covering the period ending 31 August of the financial year 2016-17 and for **General Fund** a breakeven position is forecast. However, emerging pressures such as the ongoing delivery of savings factored in as part of the 2016-17 Budget Build regarding Assets and the review of Operational Services will need to be contained within existing resources. A more detailed budget monitoring report will be brought to Cabinet in January covering the period to the end of November 2016..

The **General Fund capital programme** is reporting a shortfall in funding of capital receipts of £799K and it is not anticipated that the shortfall will be covered by the end of the financial year without a review of the existing programme to remove or re-profile specific projects, or recommend the use of the balance of the as yet unused receipt for Royal Sands.

The **Housing Revenue account** is reporting an overspend of £170K compared to budget. This increases the HRA budgeted deficit to £545k a breakdown of which is detailed within the report and supporting annexes.

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 note the shortfall in capital receipts of £799k and recognises that in order to achieve a balanced budget it will be necessary for officers to undertake a review of the existing programme and either remove projects, re-profile the programme or adjust funding.

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.

That Cabinet notes the disposal of the SOS trailer for £5,500 plus VAT.

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"> <thead> <tr> <th colspan="2">Please indicate which aim is relevant to the report.</th> </tr> </thead> <tbody> <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> </tbody> </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.	
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.									

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 for 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 Monitoring has now been undertaken covering the period ending 31 August of the financial year 2016-17 and for General Fund a breakeven position is forecast. However, emerging pressures such as the on-going delivery of savings factored in as part of the 2016-17 Budget Build will need to be contained within existing resources.
- 2.2 A more detailed budget monitoring report will be brought to Cabinet in January covering the period to the end of November 2016. This report will detail how Directors have funded any non-delivery of savings within their areas.
- 2.3 As indicated above savings factored in as part of the 2016-17 Budget Build will need to be carefully monitored in order to ensure that they are delivered as expected. With five months monitoring data, it is still early to be confident of the likely position at year end. 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.
- 2.4 In terms of liabilities, the Council is exposed to the outcome of the Health and Safety Executive report with regard to some employees, but some funding has been set aside for this.

3.0 General Fund Detail By Directorate:

Chief Executive

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

Operational Services

- There are no major variances to report at this time as it is anticipated that all savings will be delivered in year. However, there remains pressure to deliver changes to Operational Services and work is continuing to ensure that this remains within budget. If there is the possibility of not containing costs within budget, then alternative options within the service will be identified.

Community Services

- 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 2016-17 Budget Build. Further work will be undertaken during the remainder of this financial year to ensure that the targeted savings are not only delivered but achievable from April 2017.

Corporate Resources

- There are no major variances to report at this time as it is anticipated that all savings will be delivered in year. There is a pressure of £70K in relation to increased Pension Back-funding costs, this being driven by the previous triennial valuation, and will be managed though additional income identified in

year. This will be closely monitored and growth has been factored into the 2017-18 budget build to pick up the increased cost moving forward.

Corporate Governance

3.2 There are no major variances to report at this time as it is anticipated that all savings will be delivered in year, however:

- There is a pressure of £100K in relation to Budget savings set against the Asset Management Plan. It is anticipated that this will continue to be managed as part of the overall monitoring position for Corporate Governance and the Repairs and Maintenance Programme will be reviewed where appropriate.
- There are reduced incomes attributed to property and work continues to identify new income streams to offset this. More detailed assumptions will be brought to Cabinet in January but at this stage any pressure is considered containable.

General

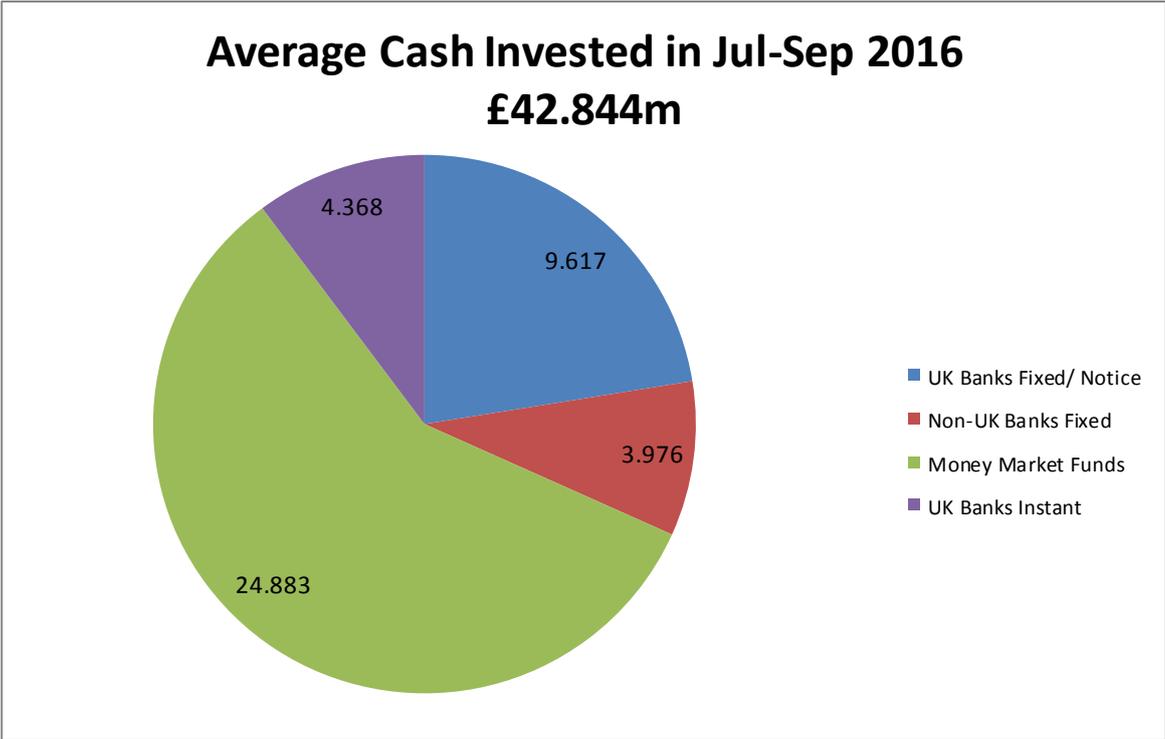
3.3 Between now and January, Financial Services will continue to work with Managers to ensure the delivery of balanced budgets and that these are monitored, managed and reported. This will include supporting the on-going change programme of savings factored in as part of the Medium Term Financial Strategy and areas of concern as identified above.

3.4 The table overleaf shows the current position by Directorate:

4.0 Treasury Management for Period ending September 2016

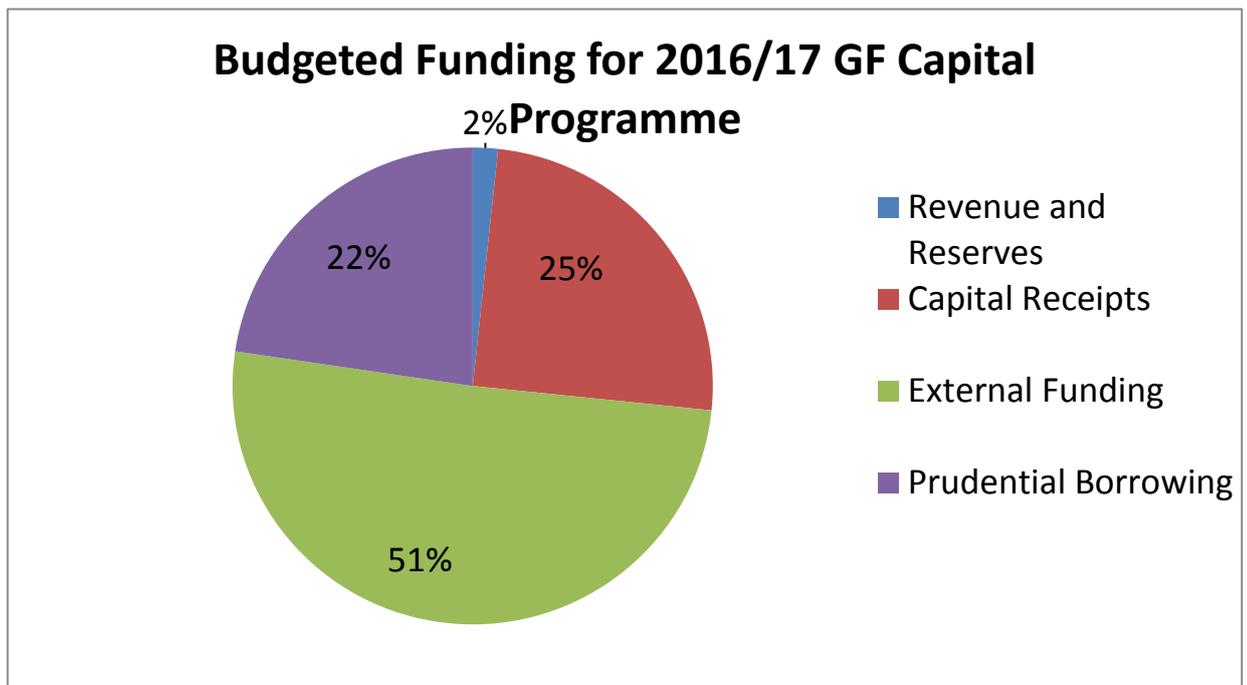
4.1 Key Highlights

- The average July-September cash balance invested was £42.844m (Q1 2016/17: £36.640m), ranging from £35.642m to £49.986m. The cash balance invested at the end of September was £43.782m.
- Investment interest income for the three months to the end of September was £0.063m, at an average rate of 0.58%.



5.0 Capital Programme

5.1 Budgeted funding for the £13.4m programme is detailed below:



5.2 Funding of the Capital Programme.

Funding source	Revised Capital Budget 2016/17 to Cabinet 20 Oct 2016 £	Budget Percentage %
Revenue and Reserves	226,833.56	2
Capital Receipts	3,342,889.60	25
External Funding	6,794,847.67	51
Prudential Borrowing	3,039,834.15	23
Total	13,404,404.98	100

5.3 To date, 47% 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 minimal spend to date for Operational Services, although at the time of writing, a substantial purchase against the vehicle replacement programme is due to be placed. A detailed programme is provided within **Annex 1**.

Summary of General Fund Capital Programme 2016/17	Revised Capital Budget 2016/17 to Cabinet 20 Oct 2016 £	Committed Spend to Date 30/09/16 £	Budget Remaining £	Percentage of Budget Committed at 30/09/16 %
Corporate Governance (East Kent Services)	270,943.94	72,929.69	198,014.25	27
Community Services	8,981,013.35	6,168,851.37	2,812,161.98	69
Operational Services	4,077,447.69	48,819.93	4,028,627.76	1
Total	13,329,404.98	6,290,600.99	7,038,803.99	47
Capital Salaries	75,000.00			-
Grand Total	13,404,404.98	6,290,600.99	7,038,803.99	47

5.4 General Fund Capital Investment

The General Fund capital investment 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 3 & 4/5 Replacement (£1m)
- Vehicle Replacement Programme (£2.3m)

The residual budget for the Margate Cemetery Extension project (£3,493) has been removed pending an options review.

The Berth 4/5 project has been varied by Member Decision to include Berth 3, although the total budget currently remains at £1,000,000.

The residual budget for Public Conveniences (£10,000) has been removed following completion of this project.

Some £239,000 of the budget for the Port Low Carbon Plan has been slipped to 2017/18 following a re-profiling of this project.

The Waste DLO budget has been increased by £2,500 (funded from revenue) for a new bin roll-out.

Following agreement at the Health and Wellbeing Board the proportion of the Better Care Fund allocated to Disabled Facilities Grants has been increased from £1.277m to £1.6m and additional allocations of Better Care Funding have been provided to Kent County Council, £375k for delivering DFG related emergency works and £327k for other strategic projects.

Additional monies have been allocated to the Private Sector Housing budget (£39k) as a result of historic repayable grants being returned to the Council.

5.5 General Fund property receipts for the six months to the end of September 2016 are as follows:

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

The capital receipt on completion of the Royal Sands sale is comprised as follows:

Split of Proceeds	Amount £
Funds received in 2009 for lease principal payment	550,000
Release of 2009 deposit and accrued interest in favour of the Council on completion	1,038,858
Additional funds received by the Council on completion	1,961,142
Total proceeds	3,550,000

The allocation of the Royal Sands receipt is as follows:

Allocation of Proceeds	Amount £
Funding used to balance 2009/10 capital programme	550,000
Set aside for affordable housing	727,600
Funding for cliff work in connection with completion	391,545
Allocated cost of sale	67,840
Capital receipt remaining	1,813,015
Total as above	3,550,000

5.6 Excluding the Royal Sands receipt, the Council faces a significant shortfall in the current capital programme of nearly £800k. It is anticipated the full balance is unlikely to be achieved by financial year end. In order to achieve a balanced budget it will be necessary for officers to undertake a review of the existing programme and either remove projects, re-profile the programme or identify new receipts.

Capital Receipts	£
Budget for Year	3,342,889
Actual Capital Receipts at 30/09/16	2,543,166
Shortfall in Capital Receipts at 30/09/16	799,723

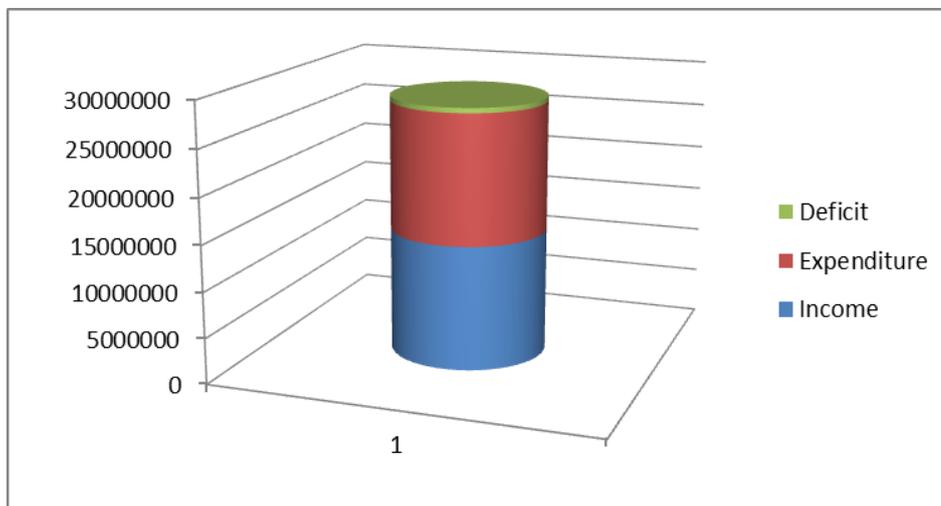
6.0 Asset Disposals

6.1 Community Safety disposed of an SOS trailer for £5,500 plus VAT and in line with the asset disposal policy, disposal over £5,000 must be subsequently reported to Cabinet.

7.0 HRA

7.1 The current forecast is showing a deficit of £545k, an increase of £170k against that budgeted.

HRA INCOME £14.4m AND EXPENDITURE £14.8m



7.2 The HRA originally budgeted for a small deficit of £353k as part of its plan, revised to £375k. The addition of £170k will be funded from the overall HRA balance of £5.29m.

7.3 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 £49k.

7.4 There is a loss of rent of £43k 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.

7.5 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 £23k.

7.6 There are a number of overspends that have been highlighted in the monitoring reports regarding repairs and maintenance. The expenditure will be reviewed to identify any potential recodes. Currently showing an impact of £77k.

7.7 A breakdown is attached with regard to the Housing Revenue Account **Annex 2** and Housing Capital Expenditure at **Annex 3**.

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 shortfall in capital receipts of £799k and recognises that in order to achieve a balanced budget it will be necessary for officers to undertake a review of the existing programme and either remove projects, re-profile the programme or adjust funding.

8.5 That Cabinet notes the disposal of the SOS trailer for £5,500 plus VAT.

Contact Officer:	Peter Timmins, 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.	<i>Full Council Agenda 5th February 2015</i>

Corporate Consultation

Finance	N/A
Legal	Ciara Feeney Head of Legal Services