

Quarter 2 Budget Monitoring Report 2017-18

Cabinet	16 November 2017
Report Author	Tim Willis, Director of Corporate Resources
Portfolio Holder	Cllr John Townend, Portfolio Holder for Financial Services and Estates
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Ward:	All Wards

This report provides an update of the Council's 2017-18 revenue and capital forecasts against budget as at the end of September 2017.

Recommendation(s):

That Cabinet notes the forecast position for 2017-18 for:

- (i) The General Fund.
- (ii) The Housing Revenue Account.
- (iii) The General Fund and Housing Revenue Account Capital Programmes.
- (iv) Cabinet agrees the proposed funding changes of the Capital Programme as detailed in paragraph 3.3.
- (v) Cabinet agrees the changes to the HRA Capital Programme as detailed in paragraph 3.11.

CORPORATE IMPLICATIONS

Financial and Value for Money	The financial implications have been reflected within the body of the report. Achieving value for money is critical to the Council's medium term financial plan and one of the three Corporate Values.
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	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

	<p>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>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> </tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> </tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td> </tr> </table>	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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	<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>				

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 General Fund – Projected Revenue Forecast 2017-18

1.1 The 2017-18 General Fund budget was agreed at the Council Meeting on 9 February 2017 on the basis that it would need funding of £450k from reserves, in order to break even for the financial year.

1.2 Table 1 summarises the Q2 projected General Fund spending position.

Table 1 - General Fund - Projected Forecast 2017-18

Function	Agreed Net Budget	Forecast	Variance
	£'000	£'000	£'000
Chief Executive	288	288	0
Corporate Resources	2,345	2,345	0
Corporate Governance	1,429	1,429	0
Community Services	4,125	4,125	0
Operational Services	4,930	4,930	0
Corporate Budgets	4,472	4,472	0
Total Expenditure	17,589	17,589	0

- 1.3 There remains pressure to deliver savings as identified as part of the 2017-18 budget build. However, managers continue to work with Financial Services to look at opportunities to deliver and bring the services in on budget.
- 1.4 Chief Executive - There are no significant variances to report and as a result a breakeven position is forecast for year end.
- 1.5 Corporate Resources - There are pressures within this area, predominantly due to corporate savings targets identified as part of the 2017-18 budget build. Corporate Management Team continues to address this and is confident that the savings will be delivered.
- 1.6 Corporate Governance - There continues to be pressure in this area to deliver those savings identified as part of the 2017-18 budget build, predominantly these relate to the Council's assets portfolio. Work will continue over the remainder of this year to review the Council's Asset Management Plan and reduce costs accordingly.
- 1.7 Community Services - There are no significant variances to report and as a result a breakeven position is expected.
- 1.8 Operational Services - As with all those savings identified as part of the 2017-18 budget build, there remains pressure to deliver in Operational Services. The main areas of concern include toilet cleaning, the port and harbour and new parking schemes. However, managers continue to address these issues by reviewing other areas of service delivery in order to bring the wider service in on budget.

Homelessness Budget

- 1.9 As outlined in the Q1 budget monitoring report the Housing Needs budget is experiencing increased pressure as a result of increased demand for temporary accommodation with the result that the council has had to put people in expensive bed & breakfast (B&B) and self-contained nightly let accommodation. A potential overspend is still projected before the effects of management actions and mitigating factors.
- 1.10 Mitigating actions to increase supply include setting up a private sector leasing scheme, establishing a small quantity of HRA dwellings as licensed accommodation and examination of options for a permanent form of temporary accommodation in the district. In addition, prevention activities in the Housing Options service to exert a downward pressure on demand are also being examined including setting up landlord schemes to increase the supply of private sector properties.
- 1.11 Financing of this potential overspend is also being examined as following the 2017 revaluation and associated changes in the local government settlement, additional Business Rate income may be available to the council to offset some or all of the Homelessness cost pressure in 2017-18.

2.0 Housing Revenue Account (HRA) – Projected Revenue Outturn 2017-18

- 2.1 The HRA is currently forecasting to have a surplus of £715k in 2017-18 as per the original agreed budget. An outline breakdown is set out in Table 2 with further details of the variances set out in Annex 1.

Table 2 – HRA – Projected Outturn 2017/18

Area	Net Budget 2016-17 £'000	Forecast £'000	Over/(under) Spend £'000
Total Service Income	(13,839)	(13,654)	185
Total Service Expenditure	11,485	11,524	39
Non-Service Costs	800	800	0
Investment Income & Debt Interest Charges	1,004	1,004	0
Technical Accounting adjustments	(389)	(389)	0
(Surplus)/Deficit for HRA	(939)	(715)	224

2.2 Projects to achieve savings in year are in progress with East Kent Housing (EKH) and results of this activity will be included in the 3rd quarter budget monitoring report.

2.3 It should be noted that EKH's 2016-17 final accounts presented a fragile picture, with low levels of reserves, outstanding loans to the districts and a lack of evidence that structurally, the EKH financial plan was sustainable. This creates uncertainty for TDC's HRA business plan and so EKH's 2017-18 financial performance will be closely monitored throughout the year.

3.0 Capital Programme – Projected Outturn 2017-18

3.1. The current projection for the General Fund capital programme is that it will spend £14.896m against the revised budget of £14.786m.

3.2. An analysis of the capital programme with explanations for variances is provided in Annex 2 to this report.

3.3. Funding has been re-aligned as per Table 3 to better match the Council's resource profile. Please see Annex 2 for funding details.

Table 3 – Re-alignment of Capital Funding

Funding	£
Capital Projects Reserve	(191,545.03)
Capital Receipts	391,545.03
Housing Right to Buy Receipts	115,000.00
Prudential Borrowing	(200,000.00)
External Funding	(115,000.00)
Total	0.00

3.4. General Fund property receipts for the six months to the end of September 2017 are as detailed in Table 4.

Table 4 – General Fund Property Receipts

Property	Amount £
Capital receipts balance 1 Apr 2017 (incl Royal Sands)	2,951,391.15
Thanet Enterprise Centre, Dane Valley Road	415,000.00
Capital receipts balance 30 September 2017 (incl Royal Sands)	3,366,391.15

HRA Capital Programme – Projected Outturn 2017-18

- 3.5 The HRA capital programme is not likely to be achieved in year as contract start dates on maintenance projects have been delayed mainly due to the additional effort being applied to fire safety works.
- 3.6 A revised programme is being compiled and will be included in the 3rd quarter budget monitoring report together with recommended adjustments to funding.
- 3.7 All 2016-17 overspends are to be covered by current budgets.
- 3.8 The structural repairs and re-pointing 2016-17 carry forward and £30k from current year structural and re-pointing is to be re-allocated to fire precautions, to fund the additional works identified from the fire risk assessments.
- 3.9 The rainwater goods replacement programme is now complete. £20k is to be returned to the Major Repairs Reserve.
- 3.10 The remaining allocated budget for the Fort Road Hotel is to be re-allocated to the HCA New Build Programme to fund the shortfall as detailed in the cabinet report dated 3 October 2017.
- 3.11 It has been identified that 12 St Johns Crescent is a vacant shop with flats above in need of regeneration. Costs and an options appraisal are being drafted. It is proposed to fund the development using 30% 1-4-1 receipts, re-allocate the £100k buy back allowance to this project and fund any remaining costs from existing budgets.
- 3.12 A detailed summary is shown at Annex 3.

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Annex List

Annex 1	HRA Variances
Annex 2	GFCapital Variances
Annex 3	HRA Capital Variances

Background Papers

Title	Details of where to access copy
2017/18 Budget and Medium Term Financial Plan.	Full Council Agenda 9 th February 2017

Corporate Consultation

Finance	N/A
Legal	Sophia Nartey Head of Legal Services