

Quarter 3 Budget Monitoring Report 2017-18

Cabinet	15 March 2018
Report Author	Tim Willis, Director of Corporate Resources
Portfolio Holder	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 December 2017.

Recommendation(s):

1. 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.
2. Cabinet agrees to the updated General Fund and Housing Revenue Account capital programmes as set out in annex 1 and 2 to this report.

CORPORATE IMPLICATIONS

Financial and Value for Money	<p>The financial implications have been reflected within the body of the report.</p> <p>Achieving value for money is critical to the Council's medium term financial plan and one of the three Corporate Values.</p>
Legal	<p>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.</p>
Corporate	<p>Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the Council's current position.</p>
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,</p>

	<p>gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p> <table border="1" style="width: 100%;"> <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> <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 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 Q3 projected General Fund spending projection.

Table 1 - General Fund - Projected Forecast 2017-18

	£'000
General Fund Budget	17,589
Projected Spend	17,579
Underspend	-10

Analysed over directorates as follows:	
	£'000
Chief Executive	-
Corporate Resources	-205
Corporate Governance	120
Community Services	300
Operational Services	445
Corporate Budgets	-670
Underspend	-10

All figures shown above are net (ie expenditure less income)

- 1.3 The Quarter 2 Budget Monitoring Report 2017-18 to Cabinet on 16 November 2017 explained that pressure remained to deliver savings identified as part of the 2017-18 budget and that managers would continue working with Financial Services to deliver and bring the services in on budget. The table above illustrates these pressures and the results expected to bring the actual year end spend in line with the approved 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 – savings in expenditure and anticipated additional summonses income in this Directorate is helping to offset pressures being felt elsewhere.
- 1.6 Corporate Governance – at quarter 2 it was explained that pressures to deliver the savings relating to the council’s asset portfolio remained. Whilst the latest projection shows the likely overspend against budget, work will continue until year end to reduce the pressure further.
- 1.7 Community Services – the projection mainly reflects the pressures in Homelessness referred to in the quarter 2 budget monitoring report, mitigated by actions taken by officers to address the additional cost.
- 1.8 Operational Services – mainly reflecting the pressure, already referred to in the quarter 2 budget monitoring report, in the port and harbour service.
- 1.9 Corporate budgets – includes savings identified from the council’s treasury management activities and one-off additional business rates income which can contribute towards offsetting the net service pressures identified above.
- 1.10 It should be noted that whilst the quarter 3 forecast position is to be within budget, spending pressures do remain to be managed going into the final quarter. These are particularly in respect of homelessness, the net costs for rent allowances and non-HRA rent rebates.

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

- 2.1 The HRA is currently forecasting to have a surplus of £769k in 2017-18, compared to a budget surplus of £940k, giving a reduction in surplus of £171k. An outline breakdown is set out in Table 2.

The main reason for the shortfall is a reduction in dwelling rents of £150k due to an increase in right to buys and delays to the Margate Housing Intervention and new build programme.

Table 2 – HRA – Projected Outturn 2017/18

Area	Net Budget 2017-18 £'000	Forecast 2017-18 £'000	Over/(under) Spend £'000
Total Service Income	(13,843)	(13,667)	176
Total Service Expenditure	11,488	11,483	(5)
Non-Service Costs	800	800	0
Investment Income & Debt Interest Charges	1,004	1,004	0
Other adjustments	(389)	(389)	0
(Surplus)/Deficit for HRA	(940)	(769)	171

2.2 As mentioned in the quarter 2 budget monitoring report, it should be noted that East Kent Housing's (EKH) 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 as a result, EKH's 2017-18 financial performance has been 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 be on target to spend against its latest approved budget of £14.6m.
- 3.2. An analysis of the capital programme is provided in Annex 1 to this report showing an overall spending reduction of £160k in 2017-18 compared to what was reported to Cabinet in November.
- 3.3. General Fund property receipts for the nine months to the end of December 2017 are as detailed in Table 3 below.

Table 3 – General Fund Property Receipts

Property	Amount £
Thanet Enterprise Centre, Dane Valley Road	415,000
Land between Tivoli Park Avenue and Tivoli Road, Margate	155,000
Disused shelter, toilets and lift shaft off Victoria Parade, Viking Bay, Broadstairs	350,000
Land at Manston Road, Ramsgate	980,000
	1,900,000

In-year receipts are subject to up to 4% set-off for relevant disposal costs.

HRA Capital Programme – Projected Outturn 2017-18

- 3.4 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. The contracts that have been delayed are re-roofing, replacement windows and doors, thermal insulation and structural/ re-pointing. The slippage in relation to these budgets has been identified in the 2018-19 budget strategy report and the 2017-18 budgets have been revised accordingly.
- 3.5 During quarter 3, there have been further contract delays, including pitched roof replacements, planned refurbishments and lift replacements. It is currently estimated that an additional £100k will need to roll forward into 2018-19 for re-roofing, £27k for planned refurbishments and £200k for lift replacements, to enable the programmed works to be carried out.
- 3.6 As detailed in the 2018-19 budget strategy report, the Margate Housing Intervention programme, new build programme and acquisitions programme also require budgets to be slipped to enable the projects to continue into 2018-19 and the 2017-18 budgets have been revised accordingly.
- 3.7 However, within the Margate Housing Intervention the re-development project at Sweyn Road, Cliftonville has encountered further delays and additional works have been required. The project is now due to complete by the end of the financial year, creating 6 units which will be let at an affordable rent. The estimated project overspend is currently £298k.

3.8 A summary of the programme is shown at Annex 2.

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Reporting to:	Tim Willis Director of Corporate Resources and S151

Annex List

Annex 1	GF Capital Programme Qtr3
Annex 2	HRA Capital Programme Qtr3

Background Papers

Title	Details of where to access copy
None	N/A

Corporate Consultation

Finance	N/A
Legal	Sophia Nartey Head of Legal Services