

**CABINET ADVISORY PANEL A
Monday 22 July 2019**

**CABINET
Thursday 25 July 2019**

AGENDA

15. Revenue Budget Monitoring 2019/20 (Pages 1 - 8)

Summary:

To update the Cabinet on financial performance against the 2019/20 budget to date for the General Fund and the Housing Revenue Account.

Recommendation:

That the Cabinet note the attached monitoring update for the year to date.

16. Capital Budget Monitoring 2019/20 (Pages 9 - 16)

Summary:

To inform the Cabinet of the progress to date on the schemes in the approved Capital Programme, and to report the latest position on capital resources.

Recommendation:

That the Cabinet note the progress made to date on the 2019/20 Capital Programme.

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REVENUE BUDGET MONITORING 2019/20

1. Summary

1.1 To update Members on financial performance against the 2019/20 budget to date for the General Fund and Housing Revenue Account.

2. RECOMMENDATION

2.1 That Members note the attached monitoring update for the year to date.

3. Background and Discussion

3.1 The revenue budgets for 2019/20 were approved by the Council on 25 February 2019. This is the first of several monitoring reports which will be submitted throughout the year.

3.2 Budget monitoring reports are submitted to Cabinet, in narrative form, concentrating on the key financial risks. The key risks account for a large part of the Council's General Fund Budget. Appendix A gives a commentary on these areas and includes a short commentary on the Housing Revenue Account.

3.3 This report is based on information available up to the end of June and discussions with Spending Officers. It is too early in the year to be able to confidently predict the year-end outturn. Early indications are that it is likely that there will be an overspend on homelessness expenditure reflecting a continuation in the trend of recent years. There are other areas where budgets are pressured and some areas where income is comfortably on or ahead of target.

3.4 Overall, at this stage, officers expect that services will be delivered within the overall budget. Further details are given in the attached commentary.

4. Relationship to the Corporate Plan

Regular monitoring and reporting of the Council's financial position is key to maintaining a sound financial strategy. This is an important element of the Council Performing Strongly theme.

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5. Financial, legal, staffing and other administrative implications and risk assessments

Financial Implications	Despite some pressure areas officers currently expect that services will be delivered within the overall budget but monitoring will continue throughout the year.
Legal Implications	None
Staffing Implications	None
Administrative Implications	None
Risk Assessment	Without effective monitoring, the risk of not being able to meet the Council's objectives within the approved budget would increase, but regular budget monitoring and swift action to correct budget failures significantly reduces this risk.

6. Appendices

Appendix A General Fund and Housing Revenue Account Commentary

BACKGROUND PAPERS

<u>Documents consulted</u>	<u>Date</u>	<u>File Ref</u>	<u>Report Author</u>	<u>Section and Directorate</u>	<u>Exempt Information Category</u>
Budget Monitoring papers			Tim Sams 01322 343148	Financial Services/ Internal Services	N/A

Commentary on main budget risks

Investment Income

The Council has earned £340,000 from its investments so far this financial year (including the gain from disposal of the UBS Multi Asset Income Fund). There is no reason to believe that the budget of £650,000 will not be achieved.

Staffing Savings

Vacancy savings of £136,000 were achieved in the first quarter of the year exceeding the £125,000 budget.

Inflation allowance on contracts

Each year a global sum is set aside within the budget for inflation increases and for 2019/20 this is set at £140,000. Throughout the year, as and when annual increases in contracts/annual payments are determined, virements are actioned to the appropriate budget headings from the set aside sum. To date, there has been no call on the inflation allowance.

Additional Grants

The Council has been notified that a further grant for Individual Elector Registration will be forthcoming this year. The amount is yet to be determined. Last year's grant was £13,680.

Eltham Crematorium

There is the possibility that the income budget of £225,190 may not be achieved. The last two years income from the crematorium did not meet the budget. 17/18 - £211,525 and 18/19 - £167,213. The reason provided by Greenwich Council was falling numbers, and additionally for 2018/19 there had been a reallocation of previous years' utility bills that had been charged elsewhere reducing the income even further. We will be advised of a projection for this year in November.

Corporate Land and Properties Income

The Corporate Land and Properties current income budget for rents and service charges for 2019/20 is £925,000. Income for the first quarter is as expected.

Benefits

During this year the number of cases changing to universal credit are expected to rise. Therefore expenditure is likely to be lower than historic levels which is certainly the trend to date.

In the past the combination of the subsidy arrangements and overpayment recovery have often led to a net income position. This is still expected but it is likely that the total net income received will be lower.

The overall figures will also be affected by the subsidy claim audit which takes place over the summer as adjustments are sometimes necessary.

Land Charges Income

The budget for land charges income for 2019/20 is £80,000. The actual to the end of June is £18,462, which is just below target and £20,770 lower than the first quarter of 2018/19. The number and search types at this stage of the year have changed significantly compared to 2018/19 levels. In the first quarter of 2018/19, 333 full searches were undertaken compared to 146 this financial year while the number of personal searches for 2018/19 for the same period was 448 against 576 this year.

At this stage it is anticipated that the income at the end of the year will be close to its budget of £80,000.

The position to the end of June is shown in the following table:

2018/19		2019/20
	Current Budget	£80,000
	Profile to Month 3	£20,000
£39,236	Actual to Period 3	£18,462
£115,824	Outturn	

Special Events

The net budget for the festival is £88,650. Last year's festival expenditure was £212,306 and the current year's expenditure is likely to be similar at £211,000 exceeding the budget of £158,650. The income budget is set at £70,000 and this year £58,000 is likely to be achieved. The potential net overspend will be just over £60,000. The final position will be included in the next formal report to Members when expenditure and income has been finalised.

Waste and Parks Management

The new waste contract came into effect from 1 July. The first quarter's costs with the previous contractor are yet to be finalised and therefore at this stage there is nothing specific to report upon.

Cemeteries Income

The 2018/19 income budget was not met, underachieving income by £8,000. However, in 2019/20 income to the end of June is meeting its target

The table below shows the position to the end of June.

2018/19		2019/20
	Current Budget	£195,000
	Profile to Month 3	£48,750
£44,026	Actual to Period 3	£48,593
£187,045	Outturn	

Licensing

General licensing income as at the end of June is £810 higher compared to the same period last year and is £1,700 higher than this year's profiled income. The majority of the income is received from September onwards when the Gambling Act 2005 and Licensing Act 2003 annual fees are due. It is therefore too early to predict an outturn at this stage.

Vehicle licensing income is £2,100 lower than the same period last year and £2,300 under its target income.

Overall income is similar to the first quarter of 2018/19, and it is close to target. It is likely that the income budget will be achieved.

The following table gives the position as at the end of June:

2018/19		2019/20
	Current Budget	£144,400
	Profile to Month 3	£23,980
£24,410	Actual to Period 3	£23,145
£149,828	Outturn	

Car Parks Income

The two tables below show the position as at 30 June for car parking fees and charges and fines and costs (PCN) income.

Fees and charges are overall on target for the first quarter and similar to 2018/19 income.

Fines and costs which include the safety car, although £7,000 lower than the same period last year, income is £7,000 higher than expected for the first quarter. Although income is exceeding its target, final year-end position will be dependent upon any change in the level of provision made for unpaid debts as at 31 March 2020 compared to the previous financial year.

Fees & Charges

2018/19		2019/20
	Current Budget	£426,970
	Profile to Month 3	£106,740
£105,636	Actual to Period 3	£106,626
£467,915	Outturn	

Fines & Costs

2018/19		2019/20
	Current Budget	£318,140
	Profile to Month 3	£79,535
£93,751	Actual to Period 3	£86,578
£439,027	Outturn	

Dartford Markets

The following table shows the position for market income as at the end of June. Following on from previous years' falling income, the income budgets for 2019/20 were reduced. Market receipts are under their target budget for the first quarter by £13,000. Saturday market income is £8,500 under target and Thursday market £4,500 under target. Although early in the financial year, initial indications are that budgets are unlikely to be achieved again.

2018/19		2019/20
	Current Budget	£213,100
	Profile to Month 3	£53,275
£45,243	Actual to Period 3	£39,977
£180,005	Outturn	

Planning Income

Income from planning fees is considerably higher than the profiled budget at this stage and in the first three months of the year 43% of the budgeted income has been received. Three receipts exceed £20,000 with one at £55,000.

Income from planning performance agreements currently stands at £33,000 against a budget of £76,000 while commercial and residential development pre-application advice income of £6,780 is currently low against its budget of £43,000. However, combining these two incomes with other minor income sources, the actual to date at £41,590 compares favourably with the first quarter's target of £31,875.

The table below gives the position for the main planning fees as at the end of June.

2018/19		2019/20
	Current Budget	£549,410
	Profile to Month 3	£137,350
£285,949	Actual to Period 3	£241,202
£769,557	Outturn	
254	No. of Receipts to period 3	113
8	No. of Receipts > £1K	27
£173,523	Value of Receipts > £1K	£218,100

Building Control

The number of In-year receipts is very similar to the same period last financial year. Income in the first quarter is £13,000 higher than its target. It is lower than last year's first quarter which included an usually high single receipt for £39,580 in respect of a the final inspection fee for a large development.

The following table shows the position at 30 June.

2018/19		2019/20
	Current Budget	£284,000
	Profile to Month 3	£71,000
£103,331	In Year Receipts to Period 3	£83,956
£320,842	Outturn	
169	No of Receipts to Period 3	172

Temporary Accommodation

Expenditure on housing homeless clients continues to put pressure on the budget. However, the total number of nights in temporary accommodation have reduced in this quarter compared to the same quarter last year. The 2019/20 Q1 figures were 20,500 compared to 22,000 for 2018/19 Q1.

Initial monitoring is showing that the increased budget of £900,000 is likely to be overspent by year-end with the net financial cost likely to be over £1m as in the last three years. However, assuming the reduction in activity is sustained, net expenditure is likely to be lower than the £1.38m net spend in 2018/19.

Business Rates Income

Initial in year figures project a similar retained income to that budgeted for. Any in year improvements in retained income may affect the income accounted for in 2019/20 negatively as gains will be distributed in future years but pool contributions to other Kent authorities and specific funds will be due in year.

Going forward, the appeals position remains uncertain as there are still a significant number of undecided appeals remain from the 2010 list. Additionally, it is still expected that there will be significant challenges to the 2017 valuations. The appeal provision will be revisited at year-end to take account of these changes and appeal determinations.

Next year's income had been projected to fall owing to an expected reset and spending review. This is still to be announced. Given the Conservative leadership election it is possible that the current arrangements and therefore similar income levels could continue for another year.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) continues to be in a sound financial position, having carried forward a balance of just over £12.3m from 2018/2019.

This early in the financial year it is too soon to draw conclusions on the main expenditure and income areas. Repairs and Maintenance expenditure is low to date but it's too early to tell if last year's underspend in this area will be repeated as the majority of spend often takes places in the winter period.

Continuing challenges this year include the last year of 1% rent reductions. It should also be noted that provision will need to be made for the £5 million maturity payment on the HRA debt, due in 2022, which is in addition to the budgeted principal of £4.4m per annum.

The HRA will be closely monitored and the Business Plan regularly updated, with Cabinet being informed of any significant variances.

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CAPITAL PROGRAMME - MONITORING 2019/2020

1. Summary

- 1.1 To inform Cabinet of the progress to date on the schemes in the approved Capital Programme, and to report the latest position on capital resources.

2. RECOMMENDATION

- 2.1. That Cabinet note the progress made to date on the 2019/20 Capital Programme.

3. Background and Discussion

- 3.1. The original budget for 2018/19 was approved by the Council on 25 February 2019 at £30,268,000 [Min No 9]. In the same agenda on the 25 July 2019 it is proposed that Cabinet recommend £503,000 of carry-forward from the 2018/19 programme to the meeting of the General Assembly of the Council on the 7th October 2019. If agreed, the total budget will be increased to £30,771,000.

- 3.2. Attached as Appendices A and B to this report are details of the Capital Programme and budget for 2019/20. These detail the resources available for Housing and General Fund projects respectively, and the expenditure to the end of June 2019.

3.3 **Housing Revenue Account projects**

The budget approved by GAC on 25 February 2019 was £11.882m. On most of the schemes, works are progressing well and at this stage, there are no concerns with programming or budgetary issues.

New Homes:

The final units at Coleridge and the old Temple Hill cash office have now been completed and only penultimate payments and retentions are due.

The budget for the year was originally set to match the Council house sale income retained for the rebuilding for Council homes. The Council has three years to spend the retained funds, otherwise the unspent funds are to be paid to MHCLG with interest. However, it remains difficult to match the profile of scheme expenditure to the unrelated profile of income received so some level of additional payment to MHCLG may be required.

Due to good progress with existing schemes and additional spending last financial year, the total spend required for the year without any payment to MHCLG is now £4.5m with the majority of this profiled towards the later quarters. This gives time for new schemes to get through planning and

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onsite construction and it is currently anticipated that should be possible some time in quarter 3.

Delivery of Phase 3 of the 32 units to be built on the 4 new sites identified is progressing well and it is anticipated that the planning application will be submitted in August 2019. Currently, and prior to competitive tender, it is estimated that the total cost of Phase 3 will be approximately £6m.

3.4 General Fund projects:

- 3.4.1 The budget approved by GAC on 25 February 2019 was £14.65m. Comments on the main ongoing schemes are as follows:

Acacia Hall – The contractors have now been on site since January 2019 for the enabling period and from March, for the start of the main contract. They have been busy carrying out utility replacements across the site, and the renovation of the buildings that are remaining, as well as carrying out design and liaison work for the future elements of the project. Unfortunately, due to continuing ongoing delays (by others) to the design and issue for the agreed river regeneration works, and a delay in the design approval from KCC for the new public vehicular access to the site from Darenth Road, there is an impact on the overall delivery timescales of the project.

The final costs for these elements cannot be confirmed, but the costs for these along with some necessary design modifications to the car park surfacing, and the associated delays in the project, mean that an overspend to the current overall project budget seems likely. These figures should be finalised by the end of July 2019 and will be reported to Cabinet if necessary.

Spend for the current financial year is still difficult to predict with accuracy because of the above reasons and the inability to programme accurately due to lack of final agreements. It is likely that the majority of the current agreed budget will be spent in this financial year, with a finalised amount of spend to occur in the following financial year up until the anticipated end of the project in June/July 2020.

Stone Lodge – Site works are now at an advanced stage of construction on the main contract. The clubhouse itself is erected and internal fit out is well underway. Exterior cladding and finishing is imminent. The completion date for this project is now expected to be 3rd September 2019.

All budget is likely to be spent within this financial year. It is possible that the grass pitch works will take place in the spring of 2020 and payment will likely fall into the following financial year. The separate 3G pitch contract is now complete and certified and passed for full payment, other than usual retention.

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In total, a small overspend may occur against the agreed budget for some agreed additional elements, such as an external grounds storage area/small and additional amendments to accommodate the temporary school access.

The Orchard Theatre – Works are taking place during the quieter summer period. There is no change to the budget expectation at this stage.

Leisure and Open Spaces - After an initial project bid across parks and open spaces, an envelope budget of £750,000 was agreed for this financial year for projects to improve and develop parks, play and open spaces. Officers are working with Members to agree and prioritise a scheme of projects to take forward. A scheme is expected to be reported to Cabinet in due course.

Dartford Town Centre Transport and Public Realm Improvements –

The project is now progressing well and to programme, with the Phase 1 (Market Street) construction having commenced 20 May 2019. Some difficulties have been experienced with existing utilities and Thames Water in particular, but this is not expected to affect the completion date of March 2020. The design work for Phase 1a (High Street) is currently being developed, with special consideration needing to be given to the operation of the market and emergency access. Construction is scheduled for January 2020. Phase 2 (the junctions of Lowfield Street/Instone Road and Highfield Road/West Hill) has reached the detail stage – and following verification and challenge to the traffic modelling, whilst the junctions will be improved in terms of pedestrian and cycle use, along with the introduction of technology to improve the flow of traffic, the decision has been taken to retain the existing one-way operation. Phase 3 (Hythe Street) is linked to the redevelopment of the former Co-op site.

Civic Centre Refurbishment - The Civic works are going well and plan to be completed around May 2020.

Community Infrastructure Levy Expenditure – at this stage, funding has not been allocated to individual projects but an envelope for spend has been agreed. Future projects will be agreed by Cabinet.

3.5 Resources

Usable receipts brought forward into 2019/20 totalled £11.794m of which £7.402m are unrestricted receipts that can be used for any capital scheme. £4.393m is restricted to the provision of new social housing (141 receipts). The 141 receipts are required to be used on the provision of new social housing, within three years of the receipt, and match-funded in the ratio of 30:70 by other funding.

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Grants and contributions totalling just under £7.595m are expected to be available to fund capital expenditure during 2019/20. In addition, Community Infrastructure Levy income is assumed at £1.5m.

By the end of June 2019, capital receipts of £611,000 had been received arising from the Discounted Sales Scheme at The Bridge. Other income of £244,000 has also been received relating to overage from a previous land sale.

To date, four Right to Buy sales have completed, giving rise to a capital receipt of £561,000 before pooling. Expected retained receipts for general use are around £135,000.

It is currently anticipated that around £2.5m in capital receipts will be received in-year due to expected sales and continuing income from discounted sales. At this level of income, the full budget can be funded without recourse to borrowing or reserves.

If capital receipts are not realised, the Council may fund capital expenditure via borrowing or by making contributions from revenue or reserves.

4 Relationship to the Corporate Plan

The capital programme covers many individual projects and will contribute to meeting many of the objectives in the Corporate Plan.

5 Financial, legal, staffing and other administrative implications and risk assessments

<p>Financial Implications</p>	<p>The current budget for capital projects is £30.771m. (including the proposed carry-forward amounts of £0.503m).</p> <p>Appendix A shows the Housing Revenue Account budget for 2019/20, which stands at £11,882m. The programme is fully funded.</p> <p>Appendix B shows the General Fund capital programme for 2019/20, which stands at £18.889m, assuming the inclusion of carry-forward amounts from 2018/19.</p> <p>Expected capital receipts, grants and contributions are expected to be sufficient to fund the scheme in the current year.</p> <p>If capital receipts are not realised, the Council may fund capital expenditure via borrowing or by making contributions from</p>
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	revenue or reserves.
Legal Implications	None
Staffing Implications	None
Administrative Implications	None
Risk Assessment	There is a small risk of committed schemes needing to be curtailed due to lack of capital finance; this risk is mitigated by regular and sound budget monitoring and reporting.

6 Appendices

Appendix A Capital Programme, Budget and Resources– Housing Projects 2019/20

Appendix B Capital Programme, Budget and Resources – General Fund Projects 2019/20

BACKGROUND PAPERS

<u>Documents consulted</u>	<u>Date</u>	<u>File Ref</u>	<u>Report Author</u>	<u>Section and Directorate</u>	<u>Exempt Information Category</u>
			Tim Sams 01322 343148	Financial Services Internal Services	N/A

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CAPITAL PROGRAMME - BUDGET & RESOURCES**HOUSING REVENUE ACCOUNT 2018/2019**

	CURRENT BUDGET 2019/2020 £'000s	PROPOSED VIREMENT £'000s	PROPOSED BUDGET 2019/2020 £'000s	EXPENDITURE TO DATE 2019/2020 £'000s
COUNCIL HOUSING PROJECTS				
Disabled Adaptations	250	0	250	65
Decent Homes Works:				
Central Heating Renewals	750	0	750	70
Rewiring	880	0	880	69
Asbestos Removal	175	0	175	24
Rising Main Replacement	25	0	25	7
Door Replacements	60	0	60	17
Kitchen and Bathrooms	1,030	59	1,089	136
External Wall Rendering	1,465	0	1,465	1,270
Door Entry Systems	75	0	75	0
Fascia /Soffit Replacements	35	0	35	0
Roof Renewal	115	179	294	62
Roof Tanks/Water Mains Supply	50	0	50	0
Communal Areas	1,065	0	1,065	197
External Chimneys	25	0	25	0
Lift Replacement	50	0	50	13
Housing IT Upgrade	300	0	300	0
Supported Housing	200	0	200	0
Major Repairs	50	0	50	0
Other Projects:				
New Homes	5,282	(238)	5,044	412
	11,882	0	11,882	2,341

Resources

	Brought Forward	Probable Additions in Year	Used to Fund Capital Expenditure	Carried forward
Usable Receipts (restricted)	0	0	0	0
1-4-1 Receipts	4,393	1,000	(1,513)	3,880
Major Repairs Reserve	0	3,061	(3,061)	0
Revenue Contribution	0	7,308	(7,308)	0
	4,393	11,369	(11,882)	3,880

CAPITAL PROGRAMME - BUDGET & RESOURCES
GENERAL FUND 2018/2019

	CURRENT BUDGET 2019/2020 £'000s	PROPOSED CARRY-FWD FROM 2019/20 £'000s	PROPOSED BUDGET 2019/2020 £'000s	EXPENDITURE TO DATE 2019/2020 £'000s
Acacia Hall - Improvements	4,767		4,767	214
IT Equipment	123		123	32
The Orchard Theatre	490		490	0
Other Corporate Properties	30		30	0
Leisure and Open Spaces	750		750	0
Stone Lodge	2,340	493	2,833	276
Dartford Town Centre Transport and Public Realm Improvements	6,925		6,925	145
Fairfield Improvement Works	85	10	95	0
Cemetery Storage	15		15	0
Civic Centre Refurbishment Internal Repairs and Improvements	691		691	101
Community Infrastructure Levy Expenditure	1,500		1,500	0
Housing projects:				
Disabled Facilities Grants	670		670	60
Private Sector Renewal	0		0	0
SUB TOTAL : GENERAL FUND PROJECTS	18,386	503	18,889	828

Resources

	Brought Forward	Additions in Year	Used to Fund Capital Expenditure	Carried forward
Usable Receipts	7,402	2,500	(9,794)	108
Grants & Contributions	1,255	7,595	(7,595)	1,255
Community Infrastructure Levy	4,622	1,500	(1,500)	4,622
	13,278	11,595	(18,889)	5,984