

This Report will be made public on 14 November 2017

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report

Number **C/17/60**

To: Cabinet
Date: 15 November 2017
Status: Non-Key Decision
Head of Service: Charlotte Spendley - Head of Finance
Cabinet Member: Councillor – Malcolm Dearden - Cabinet Member for Finance

SUBJECT: GENERAL FUND REVENUE BUDGET MONITORING – 2ND QUARTER 2017/18

SUMMARY: This monitoring report provides a projection of the end of year financial position of the General Fund revenue budget, based on expenditure to the 31 August 2017.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because it needs to be informed of the council's General Fund revenue budget position and take appropriate action to deal with any variance from the approved budget.

RECOMMENDATIONS:

1. To receive and note Report C/17/60.

1. INTRODUCTION AND BACKGROUND

- 1.1 This report updates Cabinet on the likely projected outturn on the General Fund revenue budget, based on data received as at 31 August 2017.
- 1.2 General Fund projections are made against the latest approved estimate and approved virements within year to 31 August 2017.
- 1.3 Members will recall that a high level approach was taken for the Quarter 1 monitoring report. This Quarter 2 report provides a more detailed analysis of changes and the likely year end outturn.

2. GENERAL FUND REVENUE 2017/18 - PROJECTED OUTTURN

- 2.1 The Quarter 2 projected outturn shows a forecast deficit of £3.451m against the latest approved estimated deficit of £2.902m.
- 2.2 Compared to the projection as at Quarter 1, the then forecast deficit of £997k has been replaced by a deficit of £549k. This is an improvement of £448k for the period.
- 2.3 There are a significant number of individual variances. The latest projected outturn for the General Fund in 2017/18 is summarised below:

GENERAL FUND NET REVENUE EXPENDITURE
VARIANCE ANALYSIS 2017/18 - SUMMARY

@ August 2017 - Period 5

General Fund Net Cost of Services	Original Budget	Approved Carry Forwards	Latest Approved Budget	Projected Outturn	Variance
	£000	£000	£000	£000	£000
Strategic Development	95	-	456	456	-
Leadership Support	817	-	1,955	1,921	(34)
Communications	241	-	241	247	6
Democratic Services & Law	4,789	-	4,817	4,734	(83)
Human Resources	2,494	-	2,488	2,473	(15)
Finance	2,696	-	2,677	3,677	1,000
Communities	2,257	-	2,257	2,396	139
Strategic Development Projects	359	-	395	393	(2)
Economic Development	472	-	436	475	39
Planning	828	-	838	884	46
Commercial & Technical Services	2,549	-	2,544	2,094	(450)
Sub-Total - Heads of Service	17,597	-	19,104	19,750	646
Unallocated Net Employee Costs	(224)	-	(224)	(224)	-
Total for Service	17,373	-	18,880	19,526	646
Internal Drainage Board Levies	444	-	444	444	-
Interest Payable and Similar Charges	526	-	526	526	-
Interest and Investment Income	(451)	-	(451)	(548)	(97)
New Homes Bonus Grant	(1,572)	-	(1,572)	(1,572)	-
Other Non Service Related Government Grants	(899)	-	(1,009)	(1,009)	-
Town and Parish Council Precepts	2,053	-	2,053	2,053	-
Minimum Revenue Provision	389	-	389	389	-
Capital Expenditure Financed from Revenue	2,190	-	2,405	2,405	-
NET REVENUE EXPENDITURE BEFORE USE	20,053	-	21,665	22,214	549
Net Transfer to/from(-) Earmarked Reserves	(240)	-	(2,520)	(2,520)	-
TOTAL TO BE MET FROM TAXPAYERS & FOR	19,813	-	19,145	19,694	549
Transfer to/from(-) the Collection Fund	(203)	-	(203)	(203)	-
Revenue Support Grant and Re-distributed NNDR	(848)	-	(848)	(848)	-
Business Rates Income	(3,747)	-	(3,747)	(3,747)	-
Demand on the Collection Fund	(11,445)	-	(11,445)	(11,445)	-
SURPLUS(-)/DEFICIT FOR THE YEAR	3,570	-	2,902	3,451	549

The significant movements are outlined below:

	£000s	£000s	£000s
Increased Income			
On Street Parking	(85)		
Off street Parking	(114)		
Building Control	(36)		
New Hythe T.C. Grounds Maint. Contract	(19)		
Interest Receivable	(97)		
Misc Corporate Property	(143)	(494)	
Reduced Income			
Cemeteries	39		
Market income	25		
Loss of income re Resource Centre	40		
Reduced income re Coast protection	24		
Reduced Shingle Extraction	33	161	
Increased Expenditure			
Housing Benefit	176		
Housing Rebates	678		
Housing Benefit Administration	93		
Finance	162		
Miscellaneous small variations	64	1,173	
Decrease in Expenditure			
Council Tax reduction Scheme	(43)		
Customer Services	(41)		
Electoral Services	(25)		
Committee Services	(46)		
Leadership	(32)		
Folkestone Sports Centre Contract	(11)		
Property	(38)		
Corporate Training	(35)		
Members Allowances	(20)	(291)	
Total variance against budget			549

2.4 The main variations are explained in more detail below.

Car Parking.

2.5 Projection for both on-street and off-street parking increased in line with current trends.

Building Control

2.6 The projection is in line with 2016/17 trends.

New Hythe Town Council grounds maintenance contract.

2.7 Additional salary costs of £20k offset by £39k contract income.

Miscellaneous Corporate Property

2.8 Increased rental income

Cemeteries

2.9 The trend over recent years is continuing thus showing a significant reduction in income.

Market Income

2.10 This income has reduced as a result of continued under-utilisation of available spaces.

Resource Centre

2.11 The expenditure budget for the resource centre was removed from the 2017/18 budget; however there remains a £40k income budget elsewhere in the accounts that will no longer be realised.

Coastal Protection

2.12 Reduction in grant received. Coast protection includes long term schemes contributed to by Kent County Council as a loan agreement, therefore income will reduce year on year as schemes drop out.

Shingle Extraction

2.13 There is an anticipated reduction in the income from shingle extraction in line with previous periods.

Housing Benefit/Rent Rebates

2.14 A variance in demand has resulted in a projected net increase in costs. The majority of this variance is as a consequence of a significant increase in temporary bed and breakfast accommodation claims which in some cases are eligible for very restricted levels of subsidy. Prevention continues to play a key role in our work with homeless/threatened with homeless customers. Officers are exploring ways to mitigate the rise in homeless through initiatives such as the existing Social Lettings Agency, alongside new initiatives including the feasibility of acquiring temporary accommodation and reviewing the robustness of staffing resources.

Housing Benefit Administration

2.15 The 2nd stage of Housing Benefit Administration reorganisation has been completed but because of timings relating to staff recruitment and long term sickness there is a projected overspend against the current year budget.

Finance

2.16 The planned service restructure is now in progress but a number of senior posts will continue to be covered on an interim basis until implementation is complete. The full budget savings from the restructure will not be realised until 2018/19.

Folkestone Sports Centre Contract

2.17 The contract in respect of the Sports Centre has an agreed annual reduction in contract value.

Capital Financed from Revenue

- 2.18 In line with the outturn on the General Fund Capital Budget Monitoring report, also on this agenda, it is projected that this cost will be approximately £2.405 million in 2017/18. The assumption made here is that this will be funded:

	£000s
General Reserve	1,452
Earmarked Reserves	953
Total	2,405

This is an increase of £0.215m in the budgeted sum. The projection includes £60k to fund the Prince Parade Parking scheme which full Council are considering on their agenda later today. The remainder of the charge is mainly in respect of the re-profiling of capital schemes between financial years. Where capital expenditure is financed from revenue there is no net cost to the General Fund because it is funded from reserves.

Movement in Earmarked Reserves:

- 2.19 The projected movement on Earmarked Reserves now reflects the planned release from the Otterpool Reserve to offset service expenditure on a range of incurred developer and related project costs for the Otterpool development. The current estimate of release from this reserve is £1.125m for 2017/18. The Carry Forward reserve also now assumes eventual distribution of those carry forward requests made at the end of 2016/17, although in year use of this reserve is subject to a review and confirmation process. A release of £0.890m is assumed in this case. All other Earmarked Reserve movements are in line with previous assumptions and estimates made at Quarter 1 monitoring.

Movement in Earmarked Reserves

Reserve	Balance at		Change	Outturn	Balance at
	1/4/2017	Latest Budget			31/3/2018
	£'000	£'000	£'000	£'000	£'000
Earmarked					
Business Rates	2,682	0	0	0	2,682
Carry Forward	1,117	-890	0	-890	227
Corporate Initiatives	754	-439	0	-439	315
IFRS Reserve	67	-18	0	-18	49
Invest to Save	366	0	0	0	366
Leisure	146	50	0	50	196
New Homes Bonus (NHB)	2,431	283	0	283	2,714
VET Reserve	876	-231	0	-231	645
Economic Development	2,027	-150	0	-150	1,877
Otterpool	1,989	-1,125	0	-1,125	864
Maintenance of Graves	12	0	0	0	12
	12,467	-2,520	0	-2,520	9,947

Other Non Service related Government Grants:

2.20 The projected outturn for this income area has been increased by £110k (favourable). This reflects recent DCLG confirmation of levels of s31 receipts for this financial year.

3. RISK MANAGEMENT ISSUES

3.1

A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
MTFS becomes out of date.	High	Low	The MTFS is reviewed annually through the budget process.
Assumptions may be inaccurate.	High	Medium	Budget monitoring is undertaken regularly and financial developments nationally are tracked. Assumptions are regularly reviewed.
Budget strategy not achieved.	High	Low	The budget making process is controlled closely with regular reconciliations against projections.
Incorrect assessment of Local Government Finance Settlement impact.	High	Low	Figures provided by Central Government have been used. The December Autumn Statement will inform latest forecast.
Failure to address the significant budget pressure arising from the costs of increased housing benefit (temporary accommodation) claims	High	High	Implement solutions that reduce the number of costly claims that attract restricted levels of DWP subsidy.

4 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

4.1 Legal Officer's Comments (DK)

There are no legal implications arising directly out of this report.

4.2 Finance Officer's Comments (AK)

This report has been prepared by Financial Services. There are therefore no further comments to add.

4.3 **Diversities and Equalities Implications**

The report does not cover a new service/policy or a revision of an existing service/policy and therefore does not require an Equity Impact Assessment

5. **CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

Councilors with any questions arising out of this report should contact the following officer prior to the meeting

Alan King, Group Accountant

Telephone: 01303 853213 Email: alan.king@shepway.gov.uk

The following background documents have been relied upon in the preparation of this report:

Budget projection working papers.