



Agenda

Meeting: **Overview and Scrutiny Committee**
Date: **12 June 2018**
Time: **7.00 pm**
Place: **Council Chamber - Civic Centre, Folkestone**

To: **All members of the Overview and Scrutiny Committee**

The committee will consider the matters, listed below, at the date, time and place shown above. The meeting will be open to the press and public.

Members of the committee, who wish to have information on any matter arising on the agenda, which is not fully covered in these papers, are requested to give notice, prior to the meeting, to the Chairman or appropriate officer.

This meeting will be webcast live to the council's website at <https://shepway.public-i.tv/core/portal/home>.

1. **Apologies for Absence**

2. **Minutes (Pages 3 - 6)**

To consider and approve, as a correct record, the minutes of the meeting held on 1 May 2018.

3. **Declarations of interest**

4. **Universal Credit**

A presentation by Andrew Hatcher, Revenues and Benefits Strategic Manager.

5. **General Fund Capital Programme Outturn 2017/18 (Pages 7 - 22)**

This report summarises the 2017/18 final outturn position (subject to audit) for the General Fund capital programme compared to the latest approved

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budget and the quarter 4 budget monitoring position reported to Cabinet on 28 March 2018. The report also summarises the outturn position for the approved prudential indicators for capital expenditure in 2017/18.

6. General Fund Revenue 17/18 provisional outturn (Pages 23 - 34)

This report summarises the 2017/18 final outturn position (subject to audit) for the General Fund revenue expenditure compared to both the latest approved budget and quarter 4 projections.

7. Housing Revenue Account Revenue and Capital Financial Outturn 2017/18 (Pages 35 - 48)

This report summarises the 2017/18 final outturn position (subject to audit) for the HRA revenue expenditure and HRA capital programme compared to both the latest approved budget and quarter 4 projections.

*Explanations as to different levels of interest

(a) A member with a disclosable pecuniary interest (DPI) must declare the nature as well as the existence of any such interest and the agenda item(s) to which it relates must be stated. A member who declares a DPI in relation to any item must leave the meeting for that item (unless a relevant dispensation has been granted).

(b) A member with an other significant interest (OSI) under the local code of conduct relating to items on this agenda must declare the nature as well as the existence of any such interest and the agenda item(s) to which it relates must be stated. A member who declares an OSI in relation to any item will need to remove him/herself to the public gallery before the debate and not vote on that item (unless a relevant dispensation has been granted). However, prior to leaving, the member may address the meeting in the same way that a member of the public may do so.

(c) Members may make voluntary announcements of other interests which are not required to be disclosed under (a) and (b). These are announcements made for transparency reasons alone, such as:

- membership of outside bodies that have made representations on agenda items, or
- where a member knows a person involved, but does not have a close association with that person, or
- where an item would affect the well-being of a member, relative, close associate, employer, etc. but not his/her financial position.

Voluntary announcements do not prevent the member from participating or voting on the relevant item

Minutes

Overview and Scrutiny Committee

Held at:	Council Chamber - Civic Centre, Folkestone
Date	Tuesday, 1 May 2018
Present	Councillors Miss Susan Carey, Peter Gane (Chairman), Ms Janet Holben, Mrs Mary Lawes, Michael Lyons, Ian Meyers, Russell Tillson and Mrs Rodica Wheeler
Apologies for Absence	
Officers Present:	Adrian Hammond (Housing Strategy Manager), Katharine Harvey (Head of Economic Development), Sue Lewis (Committee Services Officer) and Susan Priest (Head of Paid Service)
Others Present:	Councillor Alan Ewart-James, Cabinet Member for Housing and Councillor Mrs Jenny Hollingsbee, Cabinet Member for Communities

96. **Declarations of Interest**

There were no declarations of interest.

97. **Minutes**

The minutes of the meeting held on 27 March 2018 were submitted, approved and signed by the Chairman.

98. **LGA Corporate Peer Challenge - Draft Corporate Position Statement**

Report C/17/101 outlines the corporate position statement prepared by the Council that set outs the council's current position, telling the story of where we are and provides context in preparation for the Peer Team's visit scheduled in June 2018.

Dr Susan Priest, Head of Paid Service, informed Members there will be a 3 day visit by the Peer Team and to assist them with the visit, as part of the preparation, the Council has produced a Corporate Position Statement. This will provide a focus on a selection of activities the Council has undertaken.

This is still a draft document and minor changes can be made before the Leader approves the final statement.

Members paid particular attention to the following:

- The Council, as with other Council's, has financial challenges ahead and this forms part of the position statement. It is hoped the discussion and report that comes back from the Peer Team will help with ideas and thoughts to address this and the other challenges included in the report.
- The LGA Peer Review is a free service the LGA provides to support continuous improvement; it is not a chargeable service.
- The Council has a number of partners and works with many agencies and this is captured within the Corporate Position Statement.
- It was agreed there has been much value in the Ward Profiles prepared and members asked if they would be updated. Information that was provided at the time was correct when the data was published and there is no planned repeat of the work at this stage as they were extremely resource intensive to prepare. As the Council moves forward through Transformation the Policy Team will look at the data sets held and collected by the Council, making available useful information to support Members.
- The Council needs to be clear on what it wants to achieve through growth, paying particular attention to the positive impacts from planning allocations and permissions granted. There is a continuing need for residents to understand what these are and why the Council is supporting growth. This self-assessment will help to do this.
- Member involvement during the Peer Review is a key aspect and will form part of the timetable for the 3 day visit.
- As part of Transformation, staffing resources will be reviewed and the Council is serious about continuing to provide and support training and development needs, paying particular attention to the areas that are often difficult to recruit into. Work with universities has already taken place encouraging graduates and post graduates to be recruited and this has been very successful in areas such as planning and engineering.

Proposed by Councillor Russell Tillson
Seconded by Councillor Mrs Rodica Wheeler and

Resolved: To receive and note Report C/17/101.

(Voting: For 8; Against 0; Abstentions 0)

99. **Draft Healthier Housing Strategy 2018-2023**

This report introduced the draft Healthier Housing Strategy for the period 2018/2023. The document sets out how the Council and its local partners intend to work together to address the housing and related needs of the district.

Adrian Hammond, Housing Strategy Manager informed members that the key focus of the strategy is the delivery of affordable housing (for rent and low cost home ownership) and the improvement of housing conditions with the private housing sector within the district.

The report provides a number of key objectives of the draft strategy and these are shown at 2.1 within the report. Once the draft strategy is complete then there will be a period of public consultation.

Members paid particular attention to the following:

- The Council has a good working relationship with private sector landlords and housing associations, working together to improve the lives of residents and the Council will build on this moving forward. This is a multi-agency initiative which the Council is confident will provide the right level of support across the district.
- It is hoped that with encouragement and support residents can be moved to more suitable housing if they get the right help. Working with East Kent Housing and other agencies to achieve this through financial support and guidance.
- Information in relation to travellers will be made available once data have been analysed and information considered. The Council continues to work with County and other partners to ensure an appropriate response is provided.
- More suitable housing needs to be found for those families that want to provide for elderly relatives. Sevenoaks DC have started a scheme to encourage this and it was suggested that this Council look at how this might be used in the district.
- It is clear that the local housing stock has improved and this has been due, in not small part, to the Council working proactively with landlords.
- There has been an additional 91 affordable homes for rent and shared ownership purchase in the district over the last year.
- There are a number of initiatives in place that East Kent Housing (EKH) administer and although some residents do not always know how to get help they should be encouraged to contact housing officers for advice and guidance.
- Help and guidance can be provided in respect of financial issues surrounding the bedroom tax and although the impact in relation to Universal Credit has been minimal support can be given to those who need it as we move forward. Elderly residents and the additional support they may require can also be given through EKH.
- The Council works closely with the Rainbow Centre and Porchlight to support the needs of those who are homeless and sofa surfing. The Local Housing Allowance varies in amounts payable across the district and is higher in areas that have a greater need.

Proposed by Councillor Michael Lyons
Seconded by Councillor Mrs Rodica Wheeler and

Resolved: To receive and note Report C/17/96.

(Voting: For 8; Against 0; Abstentions 0)

100. **Funding for Shepway Citizens Advice (CA)**

The District Council has historically supported Citizens Advice (CA) with grant funding. In the financial year 2016 /2017, CA dealt with over 5000 enquiries (a significant increase on previous years) and saw over 2000 clients who were supported with specialist advice and casework services. CA provides a vital service to the community, dealing with complex issues that significantly impact upon people's lives. This report proposed future funding options for the Council to consider.

Katharine Harvey, Head of Economic Development confirmed that the CA give an excellent service which exceeds targets. It is a respected service used by many and it is because of this Cabinet is asked to agree the recommendations to provide £67,800 funding annually for 3 years from 1st April, with a funding review after 3 years.

Proposed by Councillor Peter Gane
Seconded by Councillor Michael Lyons and

Resolved:

1. To receive and fully support Report C/17/98.

(Voting: For 8; Against 0; Abstentions 0)

101. **Annual Scrutiny Programme**

Report A/18/07 presented recommendations for the work programme for the overview and scrutiny committee for 2018/19.

Proposed by Councillor Peter Gane
Seconded by Councillor Russell Tillson and

Resolved:

1. To receive and note Report A/18/07.

(Voting: For 7; Against 0; Abstentions 1)

This Report will be made public on 4 June 2018



Report Number **C/18/09**

To: Cabinet
Date: 13 June 2018
Status: Non-Key Decision
Head of Service: Charlotte Spendley, Head of Finance
Cabinet Member: Councillor Malcolm Dearden, Finance

SUBJECT: GENERAL FUND CAPITAL PROGRAMME OUTTURN 2017/18

SUMMARY: This report summarises the 2017/18 final outturn position (subject to audit) for the General Fund capital programme compared to the latest approved budget and the quarter 4 budget monitoring position reported to Cabinet on 28 March 2018. The report also summarises the outturn position for the approved prudential indicators for capital expenditure in 2017/18.

REASONS FOR RECOMMENDATIONS:

- a) Cabinet is asked to agree the recommendations set out below because it needs to be kept informed of the General Fund capital programme position and take appropriate action to deal with any variance from the approved budget.
- b) CIPFA's Prudential Code for Capital Finance requires the actual prudential indicators for the financial year to be reported.

RECOMMENDATIONS:

1. To receive and note Report C/18/09.

1. INTRODUCTION AND BACKGROUND

1.1 This report compares the 2017/18 outturn (subject to audit) for the capital programme to the latest approved budget and the projected position at quarter 4. The projected position at quarter 4 of 2017/18 was reported to Cabinet on 28 March 2018 (minute 93 refers). Specifically, this report;-

- i) provides explanations of the key variances for schemes within the programme between those projected at quarter 4 and the outturn position for 2017/18,
- ii) considers the impact the changes to the overall capital programme will have on the financing resources required to fund it,
- iii) summarises the 2017/18 outturn position for the approved prudential indicators for capital expenditure.

2. 2017/18 FINAL OUTTURN COMPARED TO THE LATEST APPROVED BUDGET AND QUARTER 4 PROJECTION

2.1 The total cost and funding of the General Fund capital programme for 2017/18 is £2,527,000, a reduction of £610,000 compared to the previously reported position at quarter 4 of £3,137,000. The following table provides a summary of the final outturn for the General Fund capital programme in 2017/18 compared to both the latest budget and the quarter 4 projected position. Full details are shown in Appendix 1 to this report. The final outturn figures are consistent with the draft Statement of Accounts and subject to the audit of the accounts.

General Fund Capital Programme 2017/18	Latest Budget 2017/18	Quarter 4 Projection 2017/18	Final Outturn 2017/18	Variance Q4 to Outturn	Variance Budget to Outturn
	£'000	£'000	£'000	£'000	£'000
Service Units					
Commercial & Technical Services	972	847	783	(64)	(189)
Democratic Services & Law	112	112	110	(2)	(2)
Finance	330	701	366	(335)	36
Human Resources	11	-	-	-	(11)
Communities	1,061	1,040	964	(76)	(97)
Strategic Development Projects	1,007	437	304	(133)	(703)
Total General Fund Capital Expenditure	3,493	3,137	2,527	(610)	(966)
Capital Funding					
Capital Grants	(1,120)	(1,067)	(875)	192	245

General Fund Capital Programme 2017/18	Latest Budget 2017/18	Quarter 4 Projection 2017/18	Final Outturn 2017/18	Variance Q4 to Outturn	Variance Budget to Outturn
External Contributions	(7)	(7)	(134)	(127)	(127)
Capital Receipts	(487)	(504)	(485)	19	2
Revenue	(1,490)	(1,460)	(971)	489	519
Borrowing	(389)	(99)	(62)	37	327
Total Funding	(3,493)	(3,137)	(2,527)	610	966

2.2 The following table summarises the reasons for the net reduction in the final outturn expenditure compared to the quarter 4 projection:

Variances – 2017/18 Q4 Projection to Outturn				
1		Slippage and Reprofiling to 2018/19	£'000	£'000
	i)	Oportunitas Ltd - funding drawdown deferred until after March 2018 due to a delay in the acquisition of an additional property	(330)	
	ii)	Princes Parade Planning Costs – planning application delayed until after March 2018	(94)	
	iii)	Empty Homes Initiative (joint initiative with Kent County Council) – balance reprofiled to 2018/19	(43)	
			(12)	
	iv)	Coronation Parade coastal defence scheme – phase 2	(48)	
	v)	Otterpool – acquisition of land options	(20)	
	vi)	Biggins Wood Commercial Development – site preparation costs partly reprofiled	(17)	
	vii)	General Fund Property Portfolio Health and Safety Enhancements	(10)	
	viii)	Net - other schemes	1	
				(573)
2		Other Changes		
	i)	Disabled Facilities Grants and Loans – saving	(19)	
	ii)	Lifeline Units – savings	(7)	
	ii)	Other net savings	(11)	
				(37)
		Total change in overall capital programme for 2017/18		(610)

3. IMPACT OF PROGRAMME CAPITAL FUNDING RESOURCES

- 3.1 One of the key principles underlying the council's Medium Term Financial Strategy is the capital programme is funded from available or realised capital resources. The only exception to this is where a scheme is subject to grant funding or external contributions in which case no commitment is made against these until the funding is confirmed. Borrowing is only to be used to support schemes expected to generate a net revenue saving and/or future capital receipt. The 2017/18 outturn for the General Fund capital programme conforms to this key principle.
- 3.2 The latest position regarding the council's available capital receipts to fund capital expenditure is shown in the following table:

General Fund Capital Receipts Position Statement	£'000
Total receipts in hand at 31 March 2018	7,338
Less:	
Committed towards General Fund capital expenditure	(2,284)
Committed towards HRA capital expenditure	(3,796)
Ring-fenced for specific purposes	(78)
Contingency for urgent or unforeseen capital expenditure	(500)
Balance available to support new capital expenditure	680

- 3.3 Resources to fund the slippage and reprofiling of capital expenditure to 2018/19, outlined in section 2 of the report, have been ring-fenced to meet this.

4 PRUDENTIAL INDICATORS OUTTURN 2017/18

- 4.1 The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. Appendix 2 compares the approved indicators with the outturn position for 2017/18. The actual figures have been taken from or prepared on a consistent basis with the Authority's draft Statement of Accounts. The Authority has complied with all the limits set as part of the approved indicators for 2017/18.

5 CONCLUSIONS

- 5.1 The outturn position for 2017/18 is consistent with the draft Statement of Accounts.
- 5.2 The main reason for the reduction in expenditure compared to the quarter 4 projection is due to slippage and reprofiling of expenditure to 2018/19.

5.3 The outturn for the programme is funded mainly from existing available capital resources and only requires a small amount of borrowing to support it.

6 RISK MANAGEMENT ISSUES

6.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Capital resources not available to meet the cost of the new projects.	High	Medium	Capital receipts required have already been realised for the majority of the programme. Schemes subject to future capital resources will only commence once these are realised. Schemes supported by grant funding will only commence once fully approved and committed by the relevant body.
Cost of new projects may exceed the estimate.	High	Medium	Capital monitoring procedures in place allowing prompt early action to be taken to manage the risk effectively.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's Comments (DK)

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

7.2 Finance Officer's Comments (LW)

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

7.3 Diversities and Equalities Implications

The report does not cover a new service or policy or a revision of either and therefore does not require an Equality Impact Assessment.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Lee Walker, Group Accountant

Tel: 01303 853593. e-mail :lee.walker@shepway.gov.uk

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

None

Appendices:

Appendix 1 – General Fund Capital Programme 2017/18 Outturn

Appendix 2 – Prudential Indicators Outturn Report 2017/18

GENERAL FUND CAPITAL PROGRAMME 2017/18 OUTTURN							
Item No	Service Area and Scheme	Latest Approved Budget	Q4 Projection	Outturn	Variance Q4 to Outturn	Variance Budget to Outturn	Comments - Variance Budget to Outturn
		£'000	£'000	£'000	£'000	£'000	
	Andy Blaszkowicz - Head of Commercial and Technical Services						
1	Improvements to Hawkinge Yard	29	30	30	0	1	
2	Grounds Maintenance Vehicle and Equipment Replacement Programme	284	235	237	2	-47	One vehicle on order delayed until late Spring 2018 (£38k). Balance is a saving against the budget
3	Pumping Stations - New Vehicle	25	0	0	0	-25	Delayed until 2018/19 and subject to discussions with East Kent Housing
4	Coast Protection - Coronation Parade, Folkestone	150	177	129	-48	-21	Expenditure reprofiled to 2018/19. Scheme entirely funded by the Environment Agency and National Grid
5	Coast Protection - Greatstone Dunes Management & Study	15	0	1	1	-14	Planned work for Spring 2018 delayed until after March 2018. Scheme funded by the Environment Agency
6	Coast Protection - Hythe to Folkestone Beach Management (from 2015)	305	240	242	2	-63	Spring 2018 beach recycling delayed until after March 2018. Scheme entirely funded by the Environment Agency
7	General Fund Property - Health and Safety Enhancements	40	40	29	-11	-11	Expenditure reprofiled to 2018/19.
8	Lifeline Capitalisation	42	42	35	-7	-7	
9	Royal Military Canal Enhancements	20	20	20	0	0	

GENERAL FUND CAPITAL PROGRAMME 2017/18 OUTTURN							
Item No	Service Area and Scheme	Latest Approved Budget	Q4 Projection	Outturn	Variance Q4 to Outturn	Variance Budget to Outturn	Comments - Variance Budget to Outturn
		£'000	£'000	£'000	£'000	£'000	
10	Parking Self-Serve System	17	18	18	0	1	
11	Princes Parade Parking Implementation	45	45	42	-3	-3	
	Total - Head of Commercial and Technical Services	972	847	783	-64	-189	
	Amandeep Khroud - Head of Democratic Services and Law						
12	PC Replacement Programme	17	17	17	0	0	
13	Server Replacement Programme	45	45	63	18	18	Additional cost met from saving on cost of virtual desktop technology
14	Virtual Desktop Technology	50	50	30	-20	-20	Saving used to meet additional server replacement costs
	Total - Head of Democratic Services and Law	112	112	110	-2	-2	

GENERAL FUND CAPITAL PROGRAMME 2017/18 OUTTURN							
Item No	Service Area and Scheme	Latest Approved Budget	Q4 Projection	Outturn	Variance Q4 to Outturn	Variance Budget to Outturn	Comments - Variance Budget to Outturn
		£'000	£'000	£'000	£'000	£'000	
	Charlotte Spendley - Head of Finance						
15	Oportunitas Loan & Share Capital Phase 1 (Housing Acquisitions Programme)	330	330	0	-330	-330	Delay on planned property acquisition by Oportunitas Ltd until after March 2018.
16	Transformation Project	0	371	366	-5	366	Elegible revenue costs capitalised and met from the Flexible Use of Capital Receipts guidance
	Total - Head of Finance	330	701	366	-335	36	
	Andrina Smith - Head of Human Resources						
17	Burial Software System	11	0	0	0	-11	Order placed and the system is planned to be installed in June 2018
	Total - Head of Human Resources	11	0	0	0	-11	

GENERAL FUND CAPITAL PROGRAMME 2017/18 OUTTURN							
Item No	Service Area and Scheme	Latest Approved Budget	Q4 Projection	Outturn	Variance Q4 to Outturn	Variance Budget to Outturn	Comments - Variance Budget to Outturn
		£'000	£'000	£'000	£'000	£'000	
	Communities						
18	Disabled Facilities Grant	650	650	632	-18	-18	Saving. Cost entirely met by government grant
19	Home Safe Loans	60	60	57	-3	-3	
20	Empty Properties Initiative	351	330	275	-55	-76	Balance expected to be spent during 2018/19
	Total - Head of Communities	1,061	1,040	964	-76	-97	

GENERAL FUND CAPITAL PROGRAMME 2017/18 OUTTURN							
Item No	Service Area and Scheme	Latest Approved Budget	Q4 Projection	Outturn	Variance Q4 to Outturn	Variance Budget to Outturn	Comments - Variance Budget to Outturn
		£'000	£'000	£'000	£'000	£'000	
	Andy Jarrett - Head of Strategic Development Projects						
21	Hythe Environmental Improvements	7	7	5	-2	-2	
22	Princes Parade - Preparatory Costs	331	331	237	-94	-94	Professional advice to support the planning application process. Scheme partly delayed to 2018/19
23	Varne Holiday Lets - Greatstone	222	0	0	0	-222	Scheme now planned to commence from 2018/19
24	Otterpool Land Acquisitions	75	75	55	-20	-20	Land options partly delayed to 2018/19
25	Ship Street Site, Folkestone (GF Element)	280	0	0	0	-280	Future of scheme to be determined following unsuccessful funding bid
26	Biggins Wood Commercial Development	91.7	24.0	7.0	-17	-85	Share of site preparation costs. Balance of budget reprofiled to 2018/19
	Total - Head of Strategic Development Projects	1,007	437	304	-133	-703	
	Total General Fund Capital Expenditure	3,493	3,137	2,527	-610	-966	

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Appendix 2

Prudential Indicator Outturn Report 2017/18

Capital Expenditure: The Authority's capital expenditure and financing, including the Housing Revenue Account, is summarised in table 1 below and is consistent with the draft statement of accounts for 2017/18:

Table 1

Capital Expenditure and Financing	2017/18 Estimate £'000	2017/18 Actual £'000	Difference £'000
General Fund	3,493	2,527	(966)
HRA	15,262	9,133	(6,129)
Total Expenditure	18,755	11,660	(7,095)
Capital Receipts	(3,932)	(2,054)	1,878
Government Grants	(1,120)	(875)	245
External Contributions	(7)	(1,375)	(1,368)
Revenue (GF)	(1,490)	(971)	519
Revenue (HRA)	(8,400)	(4,128)	4,272
Major Repairs Reserve	(3,417)	(2,195)	1,222
Borrowing	(389)	(62)	327
Total Financing	(18,755)	(11,660)	7,095

Capital Financing Requirement: The Capital Financing Requirement (CFR) shown in table 2 below, measures the Authority's underlying need to borrow for a capital purpose:

Table 2

Capital Financing Requirement	31.03.18 Estimate £m	31.03.18 Actual £m	Difference £m
General Fund	18.452	18.125	(0.327)
HRA	47.417	47.417	-
Total CFR	65.869	65.542	(0.327)

The reduction to the CFR is consistent with the lower than anticipated borrowing requirement for new capital expenditure incurred in 2017/18.

Actual Debt: The Authority's actual debt at 31st March 2017 is shown in table 3 below:

Table 3

Debt	31.03.18 Estimate £m	31.03.18 Actual £m	Difference £m
Borrowing	57.8	57.8	-
Finance leases	-	-	
PFI liabilities	-	-	
Total Debt	57.8	57.8	-

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence and is shown in table 4 below:

Table 4

Debt and CFR	31.03.18 Estimate £m	31.03.18 Actual £m	Difference £m
Total debt	57.8	57.8	-
Capital financing requirement	65.9	65.5	(0.3)
Headroom	8.1	7.7	(0.3)

The total debt remained below the CFR during the forecast period.

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt. The operational boundary for external debt is shown in table 5 below:

Table 5

Operational Boundary and Total Debt	31.03.18 Boundary £m	31.03.18 Actual Debt £m	Complied
Borrowing	65.0	57.8	✓
Other long-term liabilities	-	-	✓
Total Debt	65.0	57.8	✓

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements. The authorised limit for external debt is shown in table 6 below:

Table 6

Authorised Limit and Total Debt	31.03.18 Boundary £m	31.03.18 Actual Debt £m	Complied
Borrowing	69.9	57.8	✓
Other long-term liabilities	-	-	✓
Total Debt	69.9	57.8	✓

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income. The ration of financing costs to net revenue stream is shown in table 7 below:

Table 7

Ratio of Financing Costs to Net Revenue Stream	31.03.18 Estimate %	31.03.18 Actual %	Difference %
General Fund	13.7	8.2	(5.5)
HRA	33.3	35.3	2.0

The reduction to the General Fund ratio is due the net revenue stream from Council Tax and Business Rates income being almost £2.9m more than original forecast together with a reduction in the revenue contribution to meet capital expenditure being about £1.3m lower than original anticipated.

The change to the HRA ratio is due to an increase in the revenue funding of capital because of the reprofiling of the HRA capital programme from 2016/17 to 2017/18.

Adoption of the CIPFA Treasury Management Code: The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in February 2012.

HRA Limit on Indebtedness: The Authority's HRA CFR, shown in table 8 below, should not exceed the limit imposed by the Department for Communities and Local.

Table 8

HRA CFR	31.03.18 Limit £m	31.03.18 Actual £m	Complied
HRA Capital Financing Requirement	61.0	47.4	✓

This Report will be made public on 4 June 2018

Report Number **C/18/08**

To: Cabinet
Date: 13 June 2018
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 2017/18 PROVISIONAL OUTTURN

SUMMARY: This report summarises the 2017/18 final outturn position (subject to audit) for the General Fund revenue expenditure compared to both the latest approved budget and quarter 4 projections.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because Cabinet needs to be informed of the council's General Fund revenue 2017/18 final outturn position.

RECOMMENDATIONS:

1. To receive and note Report C/18/08.
2. As detailed in paragraph 2.34, to allocate £351k of unspent 2017/18 budgets to the Carry Forward Reserve.

1. INTRODUCTION

- 1.1 This report brings the 2017/18 financial monitoring to a conclusion. It sets out the General Fund's financial position at year end (subject to audit) and compares it against the latest approved budget and the projected outturn position at quarter 4.
- 1.2 The Statement of Accounts for 2017/18 will be audited during July and the audited set will be submitted to Audit and Governance Committee on 30 July 2018 for approval.

2. GENERAL FUND OUTTURN 2017/18

- 2.1 The draft Statement of Accounts 2017/18 reports the following year end position. This report however expands further on the detail.
- 2.2 The final outturn shows a net position of £1,377k against the latest approved estimated of £3,528k. This represents an improvement of £2,151k compared to the latest approved 2017/18 budget.
- 2.3 The provisional carry forwards are £351k which were approved by the Section 151 Officer as budgeted revenue expenditure relating to 2017/18 to be carried forward to 2018/19. Recommendation 2 of this report seeks confirmation of this position.
- 2.4 Section 3 of the report compares the outturn to the projected outturn at quarter 4 as reported to Cabinet in March 2018.
- 2.5 The outturn for the General Fund Revenue in 2017/18 is summarised below:

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

General Fund Net Cost of Services	Latest Approved Budget	Outturn	Variance
	£000's	£000's	£000's
Strategic Development	456	248	(208)
Leadership Support	887	877	(10)
Communications	247	252	5
Democratic Services & Law	4,891	4,585	(306)
Human Resources	2,453	2,330	(123)
Finance	2,702	3,017	315
Communities	2,231	2,329	98
Strategic Development Projects	1,565	1,085	(480)
Economic Development	581	420	(161)
Planning	828	642	(186)
Commercial & Technical Services	2,598	1,614	(984)
Sub-Total - Heads of Service	19,439	17,399	(2,040)
Unallocated Net Employee Costs	(224)	-	224
Total for Service	19,215	17,399	(1,816)
Internal Drainage Board Levies	444	444	-
Interest Payable and Similar Charges	526	758	232
Interest and Investment Income	(451)	(608)	(157)
New Homes Bonus Grant	(1,572)	(1,572)	-
Other Non Service Related Government Grants	(899)	(1,675)	(776)
Town and Parish Council Precepts	2,053	2,053	-
Minimum Revenue Provision	389	389	-
Capital Expenditure Financed from Revenue	2,190	971	(1,219)
NET REVENUE EXPENDITURE BEFORE USE OF RESERVES	21,895	18,159	(3,736)
Net Transfer to/from(-) Earmarked Reserves	(2,124)	569	2,693
TOTAL TO BE MET FROM TAXPAYERS & FORMULA GRANT	19,771	18,728	(1,043)
Transfer to/from(-) the Collection Fund	(203)	310	513
Revenue Support Grant and Re-distributed NNDR	(848)	(848)	-
Business Rates Income	(3,747)	(4,992)	(1,245)
Demand on the Collection Fund	(11,445)	(11,821)	(376)
SURPLUS(-)/DEFICIT FOR THE YEAR	3,528	1,377	(2,151)

2.6 The above table shows that the final surplus taken to the General Reserve is £2,151k more than budgeted.

2.7 The main reasons for the £1,816m underspend for 2017/18 at the 'total for service' level, are as follows:

Significant Movements

	£000's	£000's	Note
Increased Income			
On Street Parking	(148)		2.8
Off Street Parking	(193)		2.8
Building Control	(69)		2.9
Cleansing	(16)		2.10
Coast Protection	(21)		2.24
Mountfield Industrial Estates	(19)		2.11
Homelessness-contributions/MHCLG grant	(229)		2.18
Registration of Electors	(19)		
Planning Policy - new burdens funding	(71)		2.12
Planning Application Fees	(127)	(912)	2.12
Reduced Income			
Cemeteries	53		2.13
Market income	28		2.14
Lifeline	43		2.15
Council Tax Collection-court costs	68		2.16
Reduced Shingle Extraction	32	224	2.17
Increased Expenditure			
Housing Benefits	428		2.18
Business Rates Levy	369		2.19
Early Retirement Contributions	54		
HR Central Costs-advertising	28		
Vacancy factor assumption	224		2.22
Miscellaneous small variations	(68)	1,035	
Decrease in Expenditure			
Council Tax reduction scheme	(119)		2.20
Otterpool - Developer & Local Planning Authority	(699)		2.21
Net Admin budgets	(203)		2.22
Corporate Training	(62)		2.23
Waste Contract	(52)		
Cleansing	(29)		
Coast Protection	(79)		2.24
ICT Operations	(22)		
Regeneration & Economic Development	(62)		2.25
Rural Regeneration Initiatives	(21)		2.25
Folkestone CLLD	(57)		2.25
Street Furniture	(18)		
Grounds Maintenance	(178)		2.26
Building Holding Accounts	(227)		2.27
Housing Rent Rebates	(85)		2.18
CMT Contingency	(133)		2.28
Pensions Back Funding	(82)		
Members Allowances	(35)	(2,163)	
Total variance against budget		<u>(1,816)</u>	

- Car Parking Income.
- 2.8 Both the on-street and off-street parking services have continued to see a substantial increase in income due to greater usage and an increase in penalty notices issued.

- Building Control Income
- 2.9 The building regulation fees received have continued to see a substantial increase in income.

- Cleansing
- 2.10 Additional funding received from Kent County Council (KCC) in relation to weed sprays (£16k) and a reduction in contract recharges (£29k).

- Mountfield Industrial Estates
- 2.11 Additional rental income received in relation to more units being let than in previous years.

- Planning
- 2.12 Additional new burdens funding received from Ministry of Housing, Communities and Local Government (MHCLG) of £71k and an increase in income relating to pre-application fees and planning application fees of £127k.

- Cemeteries
- 2.13 The reduction in income over recent years has continued in 2017/18; this is expected to continue into future years.

- Market Income
- 2.14 This income has reduced as a result of continued under-utilisation of available spaces.

- Lifeline
- 2.15 There is a net reduction in income due to the rental of portal lifeline units reducing from previous years.

- Council Tax Collection
- 2.16 The amount of income received from court costs was lower than in previous years due to the amount of costs awarded to us being reduced during 2017/18.

- Shingle Extraction
- 2.17 There was a reduction in the income received from shingle extraction in line with recent trends.

- Housing Benefit/Rent Rebates/Homelessness
- 2.18 An increase in demand has resulted in a projected net increase in costs. A significant amount of this variance is as a consequence of an increase in temporary accommodation claims which are only eligible for restricted levels of subsidy. Prevention continues to play a key role in our work with homeless residents and those threatened with homelessness. 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. The further delayed rollout of Universal Credit in the district has also seen an increase in Housing Benefit cases (compared to estimate) which has seen further higher costs than had been originally projected.

The additional income received within Homelessness largely relates to a MHCLG grant being received in year relating to Homelessness Prevention. This has been set up as a separate reserve, as shown in 2.35 below, which can now be used in the year the expenditure is incurred.

These areas are a major element of expenditure for the council but over which little control that can be applied. Government subsidy is received in respect of expenditure incurred but to varying rates which results in an element of cost remaining with the council. The increased expenditure is a very small percentage of overall expenditure incurred. Increased demand from the homeless for bed and breakfast accommodation (which attracted a much lower rate of subsidy) has also impacted on this budget.

General Grants - Business Rates Levy

- 2.19 General Grants is showing an overspend of £369k in relation to payment of non-Folkestone & Hythe District Council (FHDC) shares of the NDR Pool benefit for 17/18 to the Pool Lead. This is offset by additional NDR income below the line relating to FHDC's share of the levy reduction due to Pool membership.

Council Tax Reduction Scheme

- 2.20 Additional grant received from KCC relating to Fraud Initiative and Council Tax Reduction being higher than originally budgeted for.

Otterpool Park

- 2.21 The costs for both the Developer and the Local Planning Authority budgets have underspent in 2017/18 however, as the majority of the Otterpool budgets are funded from the Otterpool Reserve these will need to be re-profiled into 2018/19.

Administration budgets

- 2.22 There are various overspends within the administration budgets mainly relating to temporary staff costs covering vacancies relating to the following areas:-
- Housing Benefits;
 - Finance;
 - Housing Options;
 - Corporate Director – Strategic Development;
 - Community Safety;
 - Planning – the increase in staff costs is off-set by the increased income in Planning Services (please see 2.12 above).

There is also an assumed vacancy factor amount budgeted for each year of £224k.

There are also various underspends within the administration budgets relating to vacancies and turnover of staff in year, within the following areas:-

- Customer Services;
- Electoral Services;
- Committee Services;
- Legal Services;
- Business Support Systems;
- Leadership Support;
- Corporate Debt;
- Environmental Protection;
- Strategic Development Projects;
- Building Control;
- Property Services.

Training and Corporate Training

- 2.23 This was a combination of trainee training costs underspending, income being received from Institute of Leadership & Management training and corporate training underspending.

Coast Protection

- 2.24 Reduction in grant received from KCC. Coast protection includes long term schemes contributed to by KCC as a loan agreement, therefore income will reduce year on year as schemes drop out.

Regeneration & Economic Development

- 2.25 Rural Regeneration Initiatives and Folkestone Community Led Local Development (CLLD) have received additional funding from Romney Marsh Partnership and salary reimbursements from Folkestone Community Works respectively. There was also an underspend on programme management expenditure relating to the Folkestone CLLD. However, this is a rolling programme over several years and a carry forward will be required into 2018/19.

Grounds Maintenance

- 2.26 The reduction in costs relates to a combination of salary costs, new Hythe Town Council contract reduction and supplies, services and vehicle costs. There is also an increase in income for plant sales.

Building Holding Accounts

- 2.27 The reduction in expenditure relates to utility and insurance costs for the Civic Centre as well as business rates appeals. There is also an increase in rental income on corporate property and Otterpool Farm rental.

CMT Contingency

- 2.28 The total amount held for CMT to support additional growth pressures wasn't fully required in 2017/18.

- 2.29 There are further accounting entries below the 'total for service' level line that have resulted in variances and the reasons are shown below:

2.30 Interest Payable

The increased contribution to bad debt provision of £263k compared to budget relates to increases in provisions for Housing Benefit overpayments,

Housing Options payments, Sundry Debtors and Council Tax court costs based on arrears balances at 31st March 2018.

Interest Receivable.

- 2.31 Additional investment interest mainly due to having higher than anticipated cash balances.

Other Non-Service Related Government Grants.

- 2.32 The increase in income of £776k relates to funding received from MHCLG. An additional £441k was received relating to Section 31 grant receipts and a further £355k for Garden Towns Capacity Funding, relating to Otterpool Park, was received in March 2018.

Capital Financed from Revenue

- 2.33 In line with the outturn on the General Fund Capital Budget Monitoring report, also on this agenda, the cost was £971k in 2017/18, a variance of £1,219k against the latest approved budget.

The decrease of £1,219k against the budgeted sum is mainly in respect of the re-profiling of Oportunitas capital scheme between financial years. There is no net cost to the General Fund as capital expenditure is funded from Reserves.

Transfers to Earmarked Reserves

- 2.34 The table at 2.35 below sets out the various Earmarked Reserves that the council holds and shows the movement in year to be £2,694k. The Carry Forward reserve includes £351k which was approved by the Section 151 Officer as budgeted revenue expenditure relating to 2017/18 to be carried forward to 2018/19 and will be endorsed through the approval of recommendation 2 of this report.

Net Movement in Reserves

- 2.35 Based on the outturn as at 31 March 2018 the council's net movements in earmarked reserves were:

Movement in Earmarked Reserves

	Balance at 01/04/2017	Latest Budget	Movement	Outturn	Balance at 31/03/2018
	£'000's	£'000's	£'000's	£'000's	£'000's
Business Rates	2,681	0	479	479	3,160
Carry Forward	1,117	-312	-385	-697	420
Corporate Initiatives	755	-439	63	-376	379
IFRS Reserve	67	-18	0	-18	49
Invest to Save	366	0	0	0	366
Leisure	147	50	0	50	197
New Homes Bonus (NHB)	2,431	357	-75	282	2,713
VET Reserve	876	-63	-159	-222	654
Economic Development	2,027	-150	317	167	2,194
Otterpool	1,989	-1,550	1,793	243	2,232
Maintenance of Graves	12	0	0	0	12
Community Led Housing	0	0	437	437	437
Lydd Airport	0	0	9	9	9
Homelessness Prevention	0	0	215	215	215
	12,468	-2,125	2,694	569	13,037

Collection Fund

- 2.36 The variance relates to movement in the surplus/deficit on the Collection Fund between the estimated and actual outturn. The Council Tax surplus was lower than estimated and the NDR resulted in a deficit compared to an estimated surplus.

Business Rates Income

- 2.37 The variance relates to a revised tariff for 2017/18 following Valuation Office Agency (VOA) adjustments (£295k) and the reduced levy as a result of Pool membership (£950k). The benefit of Pool membership is not budgeted for.

Demand on Collection Fund

- 2.38 The variance relates to the income accounting adjustment for Council Tax in relation to FHDC's share of the movement in surplus.

3. GENERAL FUND OUTTURN 2017/18 COMPARED TO PROJECTED OUTTURN

- 3.1 This section compares the final outturn to the projected outturn at quarter 4 as reported to Cabinet in March 2018.

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

General Fund Net Cost of Services	Projected Outturn @ Qtr 4	Outturn	Variance
	£000's	£000's	£000's
Strategic Development	304	248	(56)
Leadership Support	856	877	21
Communications	252	252	-
Democratic Services & Law	4,644	4,585	(59)
Human Resources	2,459	2,330	(129)
Finance	3,811	3,017	(794)
Communities	2,233	2,329	96
Strategic Development Projects	1,250	1,085	(165)
Economic Development	410	420	10
Planning	759	642	(117)
Commercial & Technical Services	1,841	1,614	(227)
Sub-Total - Heads of Service	18,819	17,399 [▼]	(1,420)
Unallocated Net Employee Costs	-	-	-
Total for Service	18,819	17,399	(1,420)
Internal Drainage Board Levies	444	444	-
Interest Payable and Similar Charges	526	758	232
Interest and Investment Income	(597)	(608)	(11)
New Homes Bonus Grant	(1,572)	(1,572)	-
Other Non Service Related Government Grants	(1,340)	(1,675)	(335)
Town and Parish Council Precepts	2,053	2,053	-
Minimum Revenue Provision	389	389	-
Capital Expenditure Financed from Revenue	1,460	971	(489)
NET REVENUE EXPENDITURE BEFORE USE OF RESERVES	20,182	18,159	(2,023)
Net Transfer to/from(-) Earmarked Reserves	(502)	569	1,071
TOTAL TO BE MET FROM TAXPAYERS & FORMULA GRANT	19,680	18,728 [▼]	(952)
Transfer to/from(-) the Collection Fund	(203)	310	513
Revenue Support Grant and Re-distributed NNDR	(848)	(848)	-
Business Rates Income	(3,747)	(4,992)	(1,245)
Demand on the Collection Fund	(11,445)	(11,821)	(376)
SURPLUS(-)/DEFICIT FOR THE YEAR	3,437	1,377	(2,060)

3.2 The major reasons for the variance at 'total for service' level are as below:

Significant Movements

	£000's
On & Off Street Parking	(34)
Planning Policy - new burdens funding	(36)
Planning Application Fees	(50)
Council Tax Collection-court costs	(52)
Business Rates Levy (see 2.19 above)	369
Miscellaneous small variations	(295)
Otterpool - Developer & Local Planning Authority (see 2.21 above)	(241)
Coast Protection (see 3.3 below)	(125)
Housing Benefits/Rent Rebates (see 3.4 below)	(660)
Homelessness - MHCLG grant (see 2.18 above)	(214)
Pensions Back Funding	(82)
Total variance against projected outturn	<u>(1,420)</u>

Coast Protection

- 3.3 There was approval to carry forward £64k from 2016/17 and £16k from the 2017/18 budget, totalling £80k relating to structural maintenance on beach railings. The carry forward was transferred in Feb/March and assumed would be spent by the end of the financial year. This is part of the proposed carry forwards that will now be spent in 2018/19.

Housing Benefits/Rent Rebates

- 3.4 The main difference relates to housing benefit overpayments due to new debt raised and rent allowance payments due to a change in market conditions and represents less than 1% of the overall rent allowances expenditure.
The difference on rent rebates relates to rent rebates payments and rent rebates subsidy due to change in market conditions, specifically around B&B and short term leased agreements being higher than projected.

4. RISK MANAGEMENT ISSUES

- 4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Fluctuating interest rate movement impacting on investment returns	Medium	Low	Interest rate forecasts regularly reviewed. Investment portfolios split between fixed rate/fixed term deposits to help manage impact of interest rate movement.
Adverse weather conditions impacting on car parking income	Medium	Low	Regularly reviewing monthly budget monitoring to identify key income trends/variances and taking remedial action where possible.
Increase in	Medium	Medium	Regularly reviewing the

Perceived risk	Seriousness	Likelihood	Preventative action
claimants receiving housing benefits due to the economic climate			number of claimants receiving benefits and highlighting any significant increases as early as possible so remedial action can be taken where possible
Increase in homelessness numbers due to the changes to the benefit system	High	High	Regularly reviewing the homelessness situation and highlighting any significant increases as early as possible so remedial action can be taken where possible.

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (DK)

There are no legal implications arising from this report.

5.2 Finance Officer's Comments (LH)

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

5.3 Diversities and Equalities Implications

The report does not cover a new service/policy or a revision of an existing service or policy therefore does not require an EIA.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Leigh Hall, Group Accountant

Telephone: 01303 853231 Email: leigh.hall@folkestone-hythe.gov.uk

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

Budget outturn and projection working papers

This Report will be made public on 4 June 2018

Report Number **C/18/07**

To: Cabinet
Date: 13 June 2018
Status: Non-Key Decision
Head of Service: Charlotte Spendley, Head of Finance
Cabinet Members: Councillor Malcolm Dearden, Finance and
Councillor Alan Ewart-James, Housing

SUBJECT: HOUSING REVENUE ACCOUNT REVENUE AND
CAPITAL FINANCIAL OUTTURN 2017/18

SUMMARY: This report summarises the 2017/18 final outturn position (subject to audit) for the HRA revenue expenditure and HRA capital programme compared to both the latest approved budget and quarter 4 projections.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because Cabinet needs to be kept informed of the Housing Revenue Account final 2017/18 position.

RECOMMENDATIONS:

1. To receive and note Report C/18/07.

INTRODUCTION

- 1.1 This report brings the 2017/18 financial monitoring to a conclusion. It sets out the HRA's financial position at year end (subject to audit) and compares it against the latest approved budget and quarter 4 projections. The report covers both revenue and capital expenditure for last year.
- 1.2 The formal Statement of Accounts for 2017/18 is being audited over July and will be submitted to Audit and Governance Committee on 30 July 2018 for approval.

2. HRA REVENUE AND CAPITAL 2017/18 OUTTURN

2.1 Final Revenue outturn compared to latest approved budget

- 2.1.1 The draft Statement of Accounts 2017/18 reports the following year end position for the HRA. This report however expands further on the detail.

HRA Net Revenue Expenditure 2017/18	Latest Approved Budget 2017/18	Final Outturn 2017/18	Variance
	£000's	£000's	£000's
Income	(16,032)	(16,141)	(109)
Expenditure	11,353	13,685	2,332
HRA Share of Corporate Costs	226	200	(26)
Net Cost of HRA Services	(4,453)	(2,256)	2,197
Interest Payable/Receivable	1,591	841	(750)
HRA Surplus/Deficit	(2,862)	(1,415)	1,447
Other items of Income & Expenditure	(22)	(3,535)	(3,513)
Revenue Contribution to Capital	8,419	4,128	(4,291)
Decrease/(Increase) to HRA Reserve	5,535	(822)	(6,357)

- 2.1.2 The above table shows that the final position is £6.357m better than the latest approved budget.
- 2.1.3 The main reasons for the £6.357m underspend compared to the latest approved budget, are as follows:

HRA		
Net Revenue Expenditure	Variance	
	£000's	
Charges for services and facilities	24	24
Revenue contribution to capital expenditure	(4,291)	
Depreciation costs	(1,371)	
Repairs and maintenance	(328)	
Provision for bad or doubtful debts	(108)	
General management	(69)	
Dwelling rents	(67)	
Non dwelling rents	(66)	
Pension costs adjustment	(39)	
HRA Share of Corporate Costs	(26)	
Other net variances	(16)	
		(6,381)
Final year end movement compared to latest approved budget		(6,357)

Revenue contribution to capital expenditure

2.1.4 The decrease in revenue contribution to capital relates to the slippage of the capital programme and relates to the re-profiling of schemes that will commence in 2018/19 and 2019/20. The amount of revenue contribution to capital will change from year to year depending on the profile of the new build/acquisitions programme.

Depreciation costs

2.1.5 The decrease in depreciation costs relates to the combined decreases of depreciation on HRA dwellings and non-HRA dwellings. This is mainly due to having to charge the real depreciation cost to the HRA instead of using the Major Repairs Allowance as a proxy for depreciation which has been allowed and used in previous years. This entry is an accounting adjustment and is reversed through the major repairs reserve.

Repairs and maintenance

2.1.6 The decrease in repairs and maintenance expenditure mainly relates to an underspend of internal and external decorations of £335k due to an outstanding issue with the current supplier being resolved.

Provision for bad or doubtful debts

2.1.7 The phased implementation of Universal Credit commenced in January 2016 however, full implementation is now expected in May 2018. Therefore, there has been minimal impact during 2017/18.

General Management

2.1.8 The decrease in general management expenditure relates to HRA new builds budget underspending due to feasibility studies, professional and planning advice not required during 2017/18 which aligns with the profile of the new build and acquisition programme.

Dwelling rents

2.1.9 The increase in dwelling rents income relates to vacant properties being let quicker than originally estimated.

2.2 Final Revenue outturn compared to quarter 4 projections

2.2.1 The table below shows that the final position is £511k better than the quarter 4 projections.

HRA Net Revenue Expenditure 2017/18	Qtr 4 Projection 2017/18	Final Outturn 2017/18	Variance
	£000's	£000's	£000's
Income	(16,043)	(16,141)	(98)
Expenditure	10,847	13,685	2,838
HRA Share of Corporate Costs	206	200	(6)
Net Cost of HRA Services	(4,990)	(2,256)	2,734
Interest Payable/Receivable	1,585	841	(744)
HRA Surplus/Deficit	(3,405)	(1,415)	1,990
Other items of Income & Expenditure	(22)	(3,535)	(3,513)
Revenue Contribution to Capital	3,116	4,128	1,012
Decrease/(Increase) to HRA Reserve	(311)	(822)	(511)

2.2 The main reasons for the £0.511m variance compared to quarter 4 projection, are as follows:

HRA	Variance	
Net Revenue Expenditure	£000's	
Revenue Contribution to Capital expenditure	1,012	
General management	<u>35</u>	1,047
Depreciation costs	(1,371)	
Non dwelling rents	(70)	
Pension costs adjustment	(39)	
Provision for bad or doubtful debts	(38)	
Dwelling rents	(35)	
Other net variances	<u>(5)</u>	
		<u>(1,558)</u>
Final year end movement compared to Qtr. 4 projection		<u>(511)</u>

2.3 Final Capital outturn compared to latest approved budget

2.3.1 The table below shows that the final position on the HRA Capital programme is £6.129m less than the latest approved budget.

HRA Capital Programme 2017/18	Latest Approved Budget 2017/18	Final Outturn 2017/18	Variance
	£000's	£000's	£000's
HRA Capital programme	15,262	9,133	(6,129)

2.3.2 The main reasons for the £6.129m variance compared to the latest approved budget, are as follows:

HRA Capital Programme	Variance £000's
New Build/Acquisitions programme	(4,505)
External Enveloping (see 2.3.4 below)	(313)
Environmental Works	(231)
Re-roofing (see 2.3.4 below)	(223)
Fire Protection Works	(207)
Heating Improvements	(128)
Cyclical Sheltered Schemes (see 2.3.4 below)	(110)
Lift Replacement	(70)
Rewiring	(68)
Voids Capital Works	(49)
Garage Improvements	(49)
Thermal Insulations (see 2.3.4 below)	(42)
Replacement Windows and Doors (see 2.3.4 below)	
Disabled Adaptations	(33)
Other net variances	(28)
Variance	(6,129)

New Build/Acquisitions programme

2.3.3 The decrease in revenue contribution to capital is due to slippage of the capital programme in 2017/18 and relates to the re-profiling of new build schemes that will commence in 2018/19 and 2019/20. The amount of revenue contribution to capital will change from year to year depending on the profile of the new build/acquisition programme.

External Enveloping

2.3.4 There are a number of underspends due to contracts requiring re-procurement which has resulted in the work not being undertaken in 2017/18. This includes external enveloping, re-roofing, windows and

doors, thermal insulations and cyclical sheltered schemes for the new scooter store at Romney Marsh House.

Environmental Works

- 2.3.5 The improvement works approved from The Shepway Tenant & Leaseholders Board are less than previously experienced and the use relating to the use on HRA land is no longer required due to the new build programme using larger non-HRA sites.

Fire Protection Works

- 2.3.6 The decrease in fire protection works relates to works that arose from the Fire Risk Assessment surveys requiring a new contract to be procured which was not possible during 2017/18 due to the timescale.

Heating Improvements

- 2.3.7 The decrease in heating improvements is largely due to the contractors including revenue works in their forecasts/workflow for capital. Win Pine House and Halliday Court installs have been deferred until 2018/19 due to the need to procure the works.

Lift Replacement

- 2.3.8 A programme of works was originally projected for 2017/18 for lift works at Mittel Court which included the refurbishment of two lifts, one has been completed with the second now planned for 2018/19.

Rewiring

- 2.3.9 The decrease in rewiring relates to the kitchens and bathroom replacements not requiring the anticipated level of works.

Voids Capital Works

- 2.3.10 The decrease in void capital works is due to the demand for high category works required being lower than originally anticipated.

- 2.3.11 There have been carry forward requests totaling £5.099m for current schemes within the programme, these are as follows:

	£000's
New Build/Acquisitions programme	4,505
Fire Prevention Works	207
Re-roofing	200
Cyclical Sheltered Schemes	110
Replacement Windows and Doors	50
Environmental Works	<u>27</u>
Total carryforward requests	<u>5,099</u>

2.4 Final Capital outturn compared to quarter 4 projections

- 2.4.1 The table below shows that the final position on the HRA Capital programme is £0.449m less than the quarter 4 projection.

HRA Capital Programme 2017/18	Qtr 4 Projection 2017/18	Final Outturn 2017/18	Variance
	£000's	£000's	£000's
HRA Capital programme	9,582	9,133	(449)

2.4.2 The main reasons for the £0.449m variance compared to the quarter 4 projections, are as follows:

HRA Capital Programme	Variance £000's	
Heating Improvements	216	
Replacement Windows and Doors	<u>28</u>	244
New Build/Acquisitions programme	(332)	
EKH Single System	(93)	
Cyclical Sheltered Schemes	(80)	
Environmental Works	(60)	
Disabled Adaptations	(33)	
Garage Improvements	(30)	
Rewiring	(29)	
Re-roofing	(23)	
Other net variances	<u>(13)</u>	
		<u>(693)</u>
Variance		<u>(449)</u>

3. CONCLUSION

- 3.1 The HRA revenue outturn 2017/18 is £6.357m better than the latest approved budget.
- 3.2 The HRA capital outturn 2017/18 is £6.129m better than the latest approved budget.
- 3.3 The financial results are subject to audit.

4. RISK MANAGEMENT ISSUES

- 4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
The latest projection of the outturn could be materially different to the actual year end position.	Medium	Low	This report has been drafted once all known entries have been processed, the remaining risk lies with errors and misstatements identified

			through the audit process.
Capital receipts (including right to buy sales) not materialising	Medium	Low	The capital programme uses realised capital receipts only.
Insufficient capacity to manage delayed expenditure along with new year programme	Medium	Medium	The 2018/19 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme including the slippage from 2017/18.
Significant amendments having to be made to the financial results following audit.	Medium	Low	The formal accounts have been prepared in accordance with professional standards and best accounting practice.

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (DK)

There are no legal implications arising from this report.

5.2 Finance Officer's Comments (LH)

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

5.3 Diversities and Equalities Implications (DA)

The report does not cover a new service/policy or a revision of an existing service or policy therefore does not require an EIA.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Leigh Hall, Group Accountant

Tel: 01303 853231

Email: leigh.hall@shepway.gov.uk

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

Budget projection working papers

Appendices:

Appendix 1 Housing Revenue Account revenue budget outturn report

Appendix 2 Housing Revenue Account capital programme outturn report

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HRA REVENUE OUTTURN POSITION 2017/18

Actual 2016/17 £	<u>HOUSING REVENUE ACCOUNT</u>	Latest Budget 2017/18 £	Actuals 2017/18 £	Variance £	Qtr 4 Proj 2017/18 £	Variance £
	<u>INCOME</u>					
14,820,687	Dwelling rents	14,648,980	14,715,576	66,596	14,680,000	35,576
352,605	Non-dwelling rents	351,920	418,443	66,523	348,000	70,443
946,430	Other charges for services and facilities	978,980	955,220	-23,760	963,000	-7,780
50,300	Contributions from general fund	52,200	52,200	0	52,000	200
16,170,022	TOTAL INCOME	16,032,080	16,141,440	109,360	16,043,000	98,440
	<u>EXPENDITURE</u>					
2,840,513	Repairs and maintenance	3,309,450	2,981,478	-327,972	2,974,000	7,478
2,797,223	General management	2,953,640	2,884,223	-69,417	2,849,000	35,223
999,885	Special management	1,020,370	1,008,192	-12,178	1,016,000	-7,808
22,238	Rents, rates & taxes	22,750	24,655	1,905	31,000	-6,345
43,680	Increase provision for bad or doubtful debts	140,000	31,445	-108,555	70,000	-38,555
0	<u>Capital Financing Costs</u>					
6,588,273	Depreciation charges	3,884,870	4,592,260	707,390	3,885,000	707,260
-6,158,817	Exceptional Item Impairment	0	2,138,627	2,138,627	0	2,138,627
24,612	Debt management expenses	22,030	24,540	2,510	22,000	2,540
7,157,607	TOTAL EXPENDITURE	11,353,110	13,685,419	2,332,309	10,847,000	2,838,419
	NET COST OF SERVICES					
-9,012,415		-4,678,970	-2,456,020	2,222,950	-5,196,000	2,739,980
221,710	HRA Services Share of Corporate & Democratic Core	225,820	200,265	-25,555	206,000	-5,735
0	HRA share of other amounts	0	0	0	0	0
-8,790,705	NET COST OF HRA SERVICES	-4,453,150	-2,255,755	2,197,395	-4,990,000	2,734,245
-732,788	(Gain)/Loss on Sale of HRA fixed Assets	0	-842,589	-842,589	0	-842,589
1,737,740	Loan charges - Interest	1,676,500	1,677,431	931	1,676,000	1,431
0	<u>Investment Income</u>					
0	Mortgages	0	0	0	0	0
-100,107	Interest on notional cash balances	-85,490	-95,973	-10,483	-91,000	-4,973
77,000	Pensions Interest Cost and Expected Return on Assets	0	102,000	102,000	0	102,000
-7,808,860	NET OPERATING INCOME	-2,862,140	-1,414,886	1,447,254	-3,405,000	1,990,114
3,552,916	Any other item of income & expenditure	-2,090	-4,216,974	-4,214,884	0	-4,216,974
-23,802	Amounts charged to income & exp. for premiums & discounts	-20,180	-20,178	2	-22,000	1,822
657,296	Gain/(Loss) on Sale of HRA fixed Assets	0	842,589	842,589	0	842,589
0	Repayment of Debt	0	0	0	0	0
2,169,037	Revenue Contribution to Capital Expenditure	8,419,510	4,128,272	-4,291,238	3,116,000	1,012,272
-62,000	Net charges made for retirement benefits	0	-141,000	-141,000	0	-141,000
0	Transfer to/from(-) Major Repairs Reserve	0	0	0	0	0
-1,515,413	TOTAL DEFICIT/SURPLUS(-) FOR YEAR	5,535,100	-822,177	-6,357,277	-311,000	-511,177
5,864,734	Balance as at 1st April	7,380,146	7,380,146	7,380,146	1,845,046	7,380,146
7,380,146	Balance as at 31st March	1,845,046	8,202,323	13,737,423	2,156,046	7,891,323

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HRA CAPITAL OUTTURN POSITION 2017/18

Actual 2016/17 £	<u>HRA CAPITAL PROGRAMME</u>	Latest Budget 2017/18 £	Outturn 2017/18 £	Variance 2017/18 £	Qtr 4 Projections £	Variance 2017/18 £
	<u>EXPENDITURE</u>					
	<u>MAJOR REPAIR & IMPROVEMENT</u>					
	<u>Decent Homes Standard</u>					
137,815	Fire Protection Works	424,000	216,534	-207,466	215,000	1,534
183,817	Replacement Windows and Doors	210,000	167,942	-42,058	140,000	27,942
37,692	Re-roofing	365,000	142,022	-222,978	165,000	-22,978
489,797	Heating Improvements	480,000	351,594	-128,406	135,000	216,594
534,103	Kitchen Replacement	300,000	311,944	11,944	300,000	11,944
171,200	Bathroom Improvements	200,000	185,705	-14,295	200,000	-14,295
198,344	Voids Capital Works	280,000	212,227	-67,773	200,000	12,227
190,694	External Enveloping	370,000	57,319	-312,681	60,000	-2,681
97,930	Rewiring	100,000	30,360	-69,640	60,000	-29,640
2,041,393	Sub-Total	2,729,000	1,675,647	-1,053,353	1,475,000	200,647
	<u>Non Decent Homes Standard</u>					
1,050	Treatment Works	10,000	0	-10,000	5,000	-5,000
375,889	Disabled Adaptations	350,000	316,696	-33,304	350,000	-33,304
444	Cyclical Sheltered	110,000	185	-109,815	80,000	-79,815
30,812	Garages Improvements	68,000	19,330	-48,670	50,000	-30,670
14,136	Lift Replacement	100,000	27,045	-72,955	26,000	1,045
9,544	Thermal Insulations	50,000	1,409	-48,591	15,000	-13,591
431,874	Sub-Total	688,000	364,665	-323,335	526,000	-161,335
	<u>Environment/Estate Improvement</u>					
108,589	Environmental Works	335,000	103,713	-231,287	163,500	-59,787
16,133	New Paths	15,000	9,101	-5,899	13,000	-3,899
840	Play Areas	10,000	0	-10,000	0	0
125,562	Sub-Total	360,000	112,815	-247,185	176,500	-63,685
	<u>OTHER SCHEMES</u>					
2,678,231	New Builds/Acquisitions	11,485,020	6,979,742	-4,505,278	7,311,844	-332,102
0	EKH Single System	0	0	0	93,000	-93,000
2,678,231	Sub-Total	11,485,020	6,979,742	-4,505,278	7,404,844	-425,102
5,277,061	TOTAL EXPENDITURE	15,262,020	9,132,869	-6,129,151	9,582,344	-449,475
	<u>FINANCING</u>					
803,469	1-4-1 Capital Receipts	3,445,506	1,568,923	-1,876,583	1,819,000	-250,077
2,473,267	Major Repairs Allowance	3,417,000	2,194,705	-1,222,295	3,397,000	-1,202,295
0	Section 106	0	1,240,969	1,240,969	1,250,000	-9,031
2,000,325	Revenue Contribution	8,399,514	4,128,272	-4,271,242	3,116,344	1,011,928
5,277,061	TOTAL FINANCING	15,262,020	9,132,869	-6,129,151	9,582,344	-449,475
0	SURPLUS C/FWD	0	0	0	0	0

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