

This Report will be made
public on 10 January
2017

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **C/16/94**

To: Cabinet
Date: 18 January 2017
Status: Non-Key Decision
Head of Service: Pat Main - Head of Finance
Cabinet Member: Councillor Susan Carey – Cabinet Member for Finance

SUBJECT: GENERAL FUND REVENUE BUDGET MONITORING – 3RD QUARTER 2016/17

SUMMARY: This monitoring report provides a projection of the end of year financial position of the General Fund revenue budget, based on expenditure to 30 November 2016.

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/16/94.

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 at 30 November 2016.
- 1.2 General Fund projections are made against the latest approved estimate which has been adjusted for approved carry-forwards from the 2015/16 budget and approved virements within year to 30 November 2016.
- 1.3 This Quarter 3 report provides a detailed analysis of changes and the likely year end outturn.

2. GENERAL FUND REVENUE 2016/17 - PROJECTED OUTTURN

- 2.1 The latest projected outturn for the General Fund in 2016/17 is summarised below:

GENERAL FUND NET REVENUE EXPENDITURE
VARIANCE ANALYSIS 2016/17 - SUMMARY

@ November 2016 - Period 8

General Fund Net Cost of Services	Original Budget	Approved C/fwds and Virements	Latest Approved Budget	Projected Outturn	Adjusted Variance
	£000	£000	£000	£000	£000
Strategic Development	89	397	486	485	(1)
Leadership Support	796	64	860	855	(5)
Communications	250	(2)	248	225	(23)
Democratic Services & Law	5,694	97	5,791	5,752	(39)
Human Resources	881	(108)	773	815	42
Finance	4,164	195	4,359	4,851	492
Communities	2,363	450	2,813	2,767	(46)
Strategic Development Projects	321	30	351	357	6
Economic Development	560	107	667	639	(28)
Planning	637	182	819	663	(156)
Commercial & Technical Services	1,454	224	1,678	1,199	(479)
Sub-Total - Heads of Service	17,209	1,636	18,845	18,608	(237)
Unallocated Net Employee Costs	64	(192)	(128)	(174)	(46)
Recharges to Non General Fund Accounts					-
Total for Service	17,273	1,444	18,717	18,434	(283)
Reversal of Capital Charges Included in Portfolios		-			-
Reversal of pension adjustments		-			-
Reversal of write down of renovation advances		-			-
Internal Drainage Board Levies	436	-	436	436	-
Interest Payable and Similar Charges	576	-	576	573	(3)
Interest and Investment Income	(605)	(30)	(635)	(543)	92
Local Services Support Grant		-			-
Council Tax Freeze Grant	-	-	-	-	-
New Homes Bonus Grant	(1,950)	-	(1,950)	(1,950)	-
Other Non Service Related Government Grants	(763)	-	(763)	(832)	(69)
Town and Parish Council Precepts	1,827	-	1,827	1,827	-
Minimum Revenue Provision	405	-	405	405	-
Capital Expenditure Financed from Revenue	5,374	(1,769)	3,605	3,655	50
NET REVENUE EXPENDITURE BEFORE USE OF RESERVES	22,573	(355)	22,218	22,005	(213)
Net Transfer to/from(-) Earmarked Reserves	(1,708)	(1,397)	(3,105)	(3,603)	(498)
TOTAL TO BE MET FROM TAXPAYERS & FORMULA GRANT	20,865	(1,752)	19,113	18,402	(711)
Transfer to/from(-) the Collection Fund	(589)	-	(589)	(589)	-
Revenue Support Grant and Re-distributed NNDR	(1,736)	-	(1,736)	(1,736)	-
Business Rates Income	(3,799)	-	(3,799)	(3,799)	-
Demand on the Collection Fund	(10,839)	-	(10,839)	(10,839)	-
SURPLUS(-)/DEFICIT FOR THE YEAR	3,902	(1,752)	2,150	1,439	(711)

2.2 At Quarter 3 the projected outturn for 2016/17 is a forecast deficit of £1.439m. This represents an improvement of £711k compared to the latest approved deficit of £2.150m.

2.3 At Quarter 2 the forecast was an adverse variance for the year of £239k; this has been replaced by a forecast positive variance of £711k; an improvement of £950k.

2.4 The significant budget movements are outlined below:

	£'000	£'000	£'000	Paragraph Reference
Withdrawal as per latest approved estimate			2,150	
Increased income				
Parking Income	113			2.5
		113		
Decrease in Expenditure				
Amendments to Housing benefit projection	-480			2.6
Net transfer from Earmarked reserve	-369			2.10
Decrease in revenue contribution to Capital	-137			2.8
		-986		
Increase in Expenditure				
Community services staffing costs	105			
		105		2.9
Other net variations		57		
Total Variance			-711	
Withdrawal as per projected outturn			1,439	

Parking Income

2.5 This period has seen a further increase in Car Park income from charges and fines. The increased income of £149k has been offset by the acquisition of virtual parking handheld equipment amounting to £36K.

Housing benefit and rent rebate payments

2.6 Expenditure on both areas has changed during this year as a result of variances in demand for benefits, which are in the main outside the control of the authority, and increased control in respect of overpayments which has resulted in reduced payments. The value of DWP subsidy income received to date has been lower than expected when the 2016/17 budget was profiled as a result of changes in how the DWP phases subsidy payments. However confirmation has been received from DWP that all sums due will be paid by year-end. Net expenditure on benefits is therefore expected to be in line with original budget assumptions and this is reflected in the forecast budget outturn.

Revenues and Benefits service review

2.7 The 2016/17 budget was prepared on the assumption that £350k savings arising from digital transformation of the service would be delivered. When detailed project plans were finalised it was evident that the timescale for implementing the new organisation structure be later than originally

anticipated. The transformation and service restructure have now been implemented but the evaluation of the part-year savings has still to be finalised. Although savings are anticipated these have not, at this stage, been incorporated into the projections as shown

Capital financed from revenue

- 2.8 There is no direct net cost to the General Fund because these costs are being funded from reserves. It is projected that this cost will be £3,655m in 2016/17 which will be funded as follows:

	£000s
General Reserve	894.0
Earmarked reserves (see paragraph 2.12)	2,761.0
Total	3,655.0

Based on existing resources, both are fundable. This is a reduction of £52k charged to revenue compared to the Quarter 2 projection.

Communities: service restructuring and vacancies

- 2.9 The projected underspend for this year has reduced as a result of previously unquantified redundancy costs (£49,820) and extra costs relating to agency staff to cover vacancies, sickness and backlogs. In total the forecast underspend has reduced by £105k from £151k to £46K.

Net movement in reserves

- 2.10 On the basis of the projections set out in this report, as at 30 November 2016, the net movement in earmarked reserves is expected to result in a projected outturn of £3,603. This is a movement of £369k compared to the Quarter 2 variance position, part of which relates to the changes in capital. A detailed analysis of the earmarked reserves is shown below.

Movement in Earmarked Reserves

Earmarked Reserve	Balance at 1/4/2016 £'000	Latest Budget £'000	Change £'000	Projected Outturn £'000	Balance at 1/4/2017 £'000
Business Rates	2,460	-31	-160	-191	2,269
Carry Forward	1,650	-1,342	-81	-1,423	227
Corporate Initiatives	1,226	-808	336	-472	754
Corporate Property	20	-20	0	-20	0
IFRS Reserve	84	-22	5	-17	67
Invest to Save	381	-15	0	-15	366
Leisure	246	50	-150	-100	146
New Homes Bonus (NHB)	1,757	599	0	599	2,356
VET Reserve	942	-316	-34	-350	592
Economic Development	2,251	-1,200	-414	-1,614	637
Maintenance of Graves	12	0	0	0	12
	11,029	-3,105	-498	-3,603	7,426

3. RISK MANAGEMENT ISSUES

3.1 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	Medium	Regularly reviewing monthly budget monitoring to identify key expenditure and income variances and taking remedial action where possible.
Fluctuating interest rate movement impacting on investment returns	Medium	Medium	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	Medium	Regularly reviewing monthly budget monitoring to identify key income trends/variances and taking remedial action where possible.
Increase in claimants receiving housing benefits due to the economic climate	Medium	Medium	Regularly reviewing the 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	Medium	Medium	Regularly reviewing the homelessness situation and highlighting any significant increases as early as possible so remedial action can be taken where possible.

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 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.