

This Report will be made public on 7 April 2017

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report **C/16/113**

To: Cabinet
Date: 19 April 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 – 4th QUARTER 2016/17

SUMMARY: This monitoring report provides a projection of the end of year financial position for the General Fund revenue expenditure, based on net expenditure to 28 February 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/16/113.

1. INTRODUCTION AND BACKGROUND

- 1.1 This report informs Cabinet of the likely projected outturn on the General Fund revenue budget for 2016/17.
- 1.2 The projections are based on expenditure and income to 28 February 2017. Some caution therefore needs to be exercised when interpreting the results. However a thorough budget monitoring exercise has been carried out.
- 1.3 The end of year outturn position is forecast against the latest approved budget estimate, which has been adjusted for approved carry-forwards from the 2015/16 budget and approved virements within the year to 28 February 2017 and proposed budget carry-forwards to 2017/18.

2. GENERAL FUND REVENUE BUDGET 2016/17 - PROJECTED OUTTURN

- 2.1 The Quarter 4 projected outturn shows a forecast deficit of £626k against the latest approved estimated deficit of £3.827m. This represents an improvement of £3.201m compared to original budget forecasts.
- 2.2 Compared to the projection at Quarter 3, the then forecast surplus of £711k has been replaced by a surplus of £2,616m. This is an additional saving of £1.905m for the quarter. The reasons for this change are explained below.
- 2.3 The latest forecast outturn for the General Fund in 2016/17 is summarised below:

**GENERAL FUND NET REVENUE EXPENDITURE 2016/17
VARIANCE ANALYSIS AT 28 FEBRUARY 2017**

General Fund Net Cost of Services	Original Budget	Approved 2015/16 Carry-Forwards and In-Year Virements	Latest Approved Budget	Projected Outturn	Variance	Proposed 2016/17 Carry-Forwards	Adjusted Variance
	£000	£000	£000	£000	£000	£000	£000
Strategic Development	89	397	486	303	(183)	183	-
Leadership Support	781	65	846	830	(16)	7	(9)
Communications	250	(2)	248	232	(16)	-	(16)
Democratic Services & Law	5,708	108	5,816	5,710	(106)	-	(106)
Human Resources	881	(110)	771	817	46	-	46
Finance	4,164	168	4,332	4,783	451	130	581
Communities	2,363	370	2,733	2,524	(209)	9	(200)
Strategic Development Projects	321	61	382	407	25	-	25
Economic Development	560	82	642	490	(152)	155	3
Planning	637	182	819	728	(91)	12	(79)
Commercial & Technical Services	1,453		1,672	1,015	(657)	89	(568)
Sub-Total - Heads of Service	17,207	1,540	18,747	17,839	(908)	585	(323)
Unallocated Net Employee Costs	64	(192)	(128)	(174)	(46)	-	(46)
Total for Service	17,271	1,348	18,619	17,665	(954)	585	(369)
Internal Drainage Board Levies	436	-	436	436	-	-	-
Interest Payable and Similar Charges	576	-	576	573	(3)	-	(3)
Interest and Investment Income	(605)	(30)	(635)	(581)	54	-	54
New Homes Bonus Grant	(1,950)	-	(1,950)	(1,950)	-	-	-
Other Non Service Related Government Grants	(763)	-	(763)	(832)	(69)	-	(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	6	5,380	2,273	(3,107)	-	(3,107)
NET REVENUE EXPENDITURE BEFORE USE OF RESERVES	22,571	1,324	23,895	19,816	(4,079)	585	(3,494)
Net Transfer to/from(-) Earmarked Reserves	(1,708)	(1,397)	(3,105)	(2,227)	878		878
TOTAL TO BE MET FROM TAXPAYERS & FORMULA GRANT	20,863	(73)	20,790	17,589	(3,201)	585	(2,616)
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	3,900	(73)	3,827	626	(3,201)	585	(2,616)

At Quarter 4 Head of Service budgets are forecast to be underspent by £954k with £585k of unspent budgets being carried forward to 2017/18 to fund activities that were planned during 2016/17 but that will now take place during the next financial year. Resulting in a net underspend for the year on service budgets of £369k.

The most significant budget variances at Quarter 4 are summarised below:

	£000	
Latest Approved Budget at Q4	3,827	
Forecast Outturn for 2016/17 – all budgets	626	
Variance	-3,201	
Budgets proposed for carry-forward to 2017/18	-585	
Adjusted Variance	-2,616	
Comprising:		
Budget variances reported previously in Quarters 1-3	-711	
		Para
Budget variances, Quarter 4:		
Increased income - parking	-103	2.4
Reduced expenditure - Community Grants Team	-132	2.5
Increased expenditure - Housing Benefits and Rent Rebates	165	2.6
Reduced expenditure forecast - Capital financed from Revenue	-3,157	2.7
Reduction in planned transfers from Reserves	1,383	2.7/2.8
Other net budget variations	-61	
	-2,616	

Parking Income

- 2.4 This period has seen a further increase both in respect of income from charges and fines.

Community Grants Team

- 2.5 The reduction in expenditure arises from the Communities service restructure during 2016/17.

Housing Benefit and Rent Rebates

- 2.6 As previously reported, there continue to be significant charges in the demand for benefits; whilst the majority of benefits are funded by central government, the residual cost is funded from council resources.

Capital Financed From Revenue

- 2.7 The latest forecast for general fund capital programme expenditure in 2016/17 is reported separately on this agenda. The revised profile for capital expenditure has resulted in a reduced call on revenue resources to fund the programme during the current year.

There is no direct net cost to general fund budgets because these costs are funded from reserves. It is projected that this cost will be £2.273m in 2016/17. The assumption is that this will be funded:

	£000
General Reserve	888.0
Earmarked reserves	1384.5
Total	<u>2,272.5</u>

Based on existing resources, both are fundable. This is a decrease of £1.383m charged to reserves compared to the Quarter 3 projection

Net Movement in Earmarked Reserves

- 2.8 On the basis of the projections set out in this report as at 28 February 2017, the council's net movement in earmarked reserves is forecast to be:

Movement in Earmarked Reserves

	Balance at 1/4/16	Latest Approved Budget	Change	Projected Outturn	Balance at 31/3/17
	£000	£000	£000	£000	£000
Business Rates	2,460	-31	-160	-191	2,269
Invest to Save	381	-15	0	-15	366
Carry Forwards	1,650	-1,342	-26	-1,368	282
IFRS	84	-22	5	-17	67
Corporate Property	20	-20	0	-20	0
Vehicles, Equipment & Technology	942	-316	162	-154	789
New Homes Bonus	1,757	599	75	674	2,431
Corporate Initiatives	1,226	-808	336	-472	754
Maintenance of Graves	12	0	0	0	12
Leisure	246	50	-150	-100	146
Economic Development	2,251	-1,200	636	-564	1,687
Total	<u>11,029</u>	<u>-3,105</u>	<u>878</u>	<u>-2,227</u>	<u>8,803</u>

Year-End Outturn Position

- 2.10 The outturn position at year-end will be confirmed during the final accounts closedown period and will be reported to Cabinet in July 2017.

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	Medium	Medium	Regularly reviewing monthly budget monitoring to identify key expenditure and income variances and taking remedial action where

Perceived Risk	Seriousness	Likelihood	Preventative action
position			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 (AK)

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

Councillors 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.

Appendices

Appendix 1 – General Fund Budget 2016/17 - Budget Monitoring at 28 February 2017