

This Report will be made public on 20 March 2018

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **C/17/91**

To: Cabinet
Date: 28 March 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 BUDGET MONITORING – 4TH 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 January 2018.

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/17/91.

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 January 2018.
- 1.2 General Fund projections are made against the latest approved estimate and approved virements within year to 31 January 2018.

2. GENERAL FUND REVENUE 2017/18 - PROJECTED OUTTURN

- 2.1 The Quarter 4 projected outturn for total service areas shows a forecast of £18.819m against the latest approved budget of £19.214m which gives a surplus of £395k.

When taking into account other entries such as capital expenditure financed from revenue and movements on reserves, the total surplus projected for the year end is £90k.

- 2.2 Compared to the projection as at Quarter 2, the then forecast deficit of £549k has been replaced by a surplus of £90k. This is an improvement of £639k.
- 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**

@ January 2018 - Period 10

General Fund Net Cost of Services	Latest Approved Budget	Projected Outturn	Variance
	£000	£000	£000
Strategic Development	456	304	(152)
Leadership Support	879	856	(23)
Communications	247	252	5
Democratic Services & Law	4,876	4,644	(232)
Human Resources	2,490	2,459	(31)
Finance	2,654	3,811	1,157
Communities	2,244	2,233	(11)
Strategic Development Projects	1,565	1,250	(315)
Economic Development	581	410	(171)
Planning	843	759	(84)
Commercial & Technical Services	2,603	1,841	(762)
Sub-Total - Heads of Service	19,438	18,819	(619)
Unallocated Net Employee Costs	(224)	-	224
Total for Service	19,214	18,819	(395)
Internal Drainage Board Levies	444	444	-
Interest Payable and Similar Charges	526	526	-
Interest and Investment Income	(451)	(597)	(146)
New Homes Bonus Grant	(1,572)	(1,572)	-
Other Non Service Related Government Grants	(899)	(1,340)	(441)
Town and Parish Council Precepts	2,053	2,053	-
Minimum Revenue Provision	389	389	-
Capital Expenditure Financed from Revenue	2,190	1,460	(730)
NET REVENUE EXPENDITURE BEFORE USE OF RESERVES	21,894	20,182	(1,712)
Net Transfer to/from(-) Earmarked Reserves	(2,124)	(502)	1,622
TOTAL TO BE MET FROM TAXPAYERS & FORMULA GRANT	19,770	19,680	(90)
Transfer to/from(-) the Collection Fund	(203)	(203)	-
Revenue Support Grant and Re-distributed NNDR	(848)	(848)	-
Business Rates Income	(3,747)	(3,747)	-
Demand on the Collection Fund	(11,445)	(11,445)	-
SURPLUS(-)/DEFICIT FOR THE YEAR	3,527	3,437	(90)

The significant movements are outlined below:

	£000s	£000s	£000s
Increased Income			
On Street Parking	(125)		
Off Street Parking	(182)		
Building Control	(61)		
Cleansing	(16)		
Mountfield Industrial Estates	(19)		
Homelessness-contributions	(69)		
Planning Policy - new burdens funding	(35)		
Planning Application Fees	(77)		
		(584)	
Reduced Income			
Cemeteries	56		
Market income	25		
Lifeline	39		
Council Tax Collection-court costs	120		
Household Waste Collection	30		
Coast Protection	26		
Reduced Shingle Extraction	33		
		329	
Increased Expenditure			
Housing Benefit	376		
Housing Rebates	627		
Housing Benefit Admin	24		
Finance Admin	219		
Early Retirement Contributions	54		
Housing Options Admin	66		
Community Safety Admin	16		
Planning Control Admin	60		
Vacancy factor assumption	224		
Miscellaneous small variations	49		
		1,715	
Decrease in Expenditure			
Council Tax reduction scheme	(119)		
Otterpool - Developer & Local Planning Authority	(458)		
Customer Services Admin	(29)		
Electoral Services Admin	(14)		
Committee Services Admin	(46)		
Legal Services Admin	(34)		
Business Support Systems Admin	(21)		
Leadership Support Admin	(33)		
Corporate Debt Admin	(38)		
Environmental Protection Admin	(25)		
Strategic Developemnts Projects Admin	(32)		
Building Control Admin	(26)		
Property Services Admin	(46)		
Corporate Training	(61)		

Folkestone Sports Centre Contract	(11)	
ICT Contract	(16)	
Waste Contract	(46)	
Parking Enforcement Contract	(23)	
Regeneration & Economic Development	(50)	
Rural Regeneration Initiatives	(29)	
Folkestone CLLD	(71)	
Planning Policy	(33)	
Street Furniture	(15)	
Premises Insurance	(35)	
Grounds Maintenance	(181)	
Building Holding Accounts	(204)	
CMT Contingency	(128)	
Members Allowances	<u>(31)</u>	(1,855)

Total variance against budget (395)

2.4 The main variations are explained in more detail below.

Car Parking

2.5 Income projections for both on-street and off-street parking increased in line with current trends. The 2018/19 budget has been amended to reflect this change.

Cleansing

2.6 Additional funding received from KCC in relation to weed sprays in 2017/18.

Mountfield Industrial Estates

2.7 Additional rental income received in relation to more units being let than in previous years.

Planning

2.8 Additional new burdens funding received from DCLG in 2017/18 and an increase in income relating to pre-application fees and planning application fees (please see 2.19 below).

Cemeteries

2.9 The reduced income trend over recent years is continuing; therefore a reduction in income is shown.

Market Income

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

Lifeline

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

Council Tax Collection

- 2.12 The amount of income received from court costs is expected to be lower than in previous years due to the amount of costs awarded to us being reduced during 2017/18.

Household Waste Collection

- 2.13 The sale of wheeled bins lower than originally expected.

Coast Protection

- 2.14 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

- 2.15 There is an anticipated reduction in the income from shingle extraction in line with recent trends.

Housing Benefit/Rent Rebates/Homelessness

- 2.16 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 costs than had been originally projected. The additional income received within Homelessness relates to the increase in homelessness cases and the ability to charge a service charge to clients.

Administration budgets

- 2.17 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;
 - Community Safety;
 - Planning – the increase in staff costs is off-set by the increased income in Planning Services (please see 2.8 above).

There is also an assumed vacancy factor amount budgeted for each year.

Council Tax Reduction Scheme

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

2.19 Otterpool Park

The costs for both the Developer and the Local Planning Authority are underspending in 2017/18 however the Otterpool budgets are funded from the Otterpool Reserve and will need to be re-profiled into 2018/19.

Administration budgets

2.20 There are 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

2.21 There is a combination of trainee training costs underspending, income being received from Institute of Leadership & Management training as well as corporate training underspending.

Folkestone Sports Centre Contract

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

Regeneration & Economic Development

2.23 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 is 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.

Premises Insurance

2.24 The premises insurance budgets are underspending due to lower than budgeted for premium on general premises insurance.

Grounds Maintenance

2.25 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

- 2.26 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

- 2.27 The total amount held for CMT to support additional growth pressures not required in 2017/18.

Further variances from the total service area are shown below.

Interest Receivable.

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

- 2.29 Other Non Service related Government Grants:

The projected outturn for this income area has been increased by £441k. This reflects recent DCLG confirmation of levels of Section 31 grant receipts being received for this financial year.

Capital Financed from Revenue

- 2.30 In line with the outturn on the General Fund Capital Budget Monitoring report it is projected that this cost will be approximately £1.460 million in 2017/18. The assumption made here is that this will be funded:

	£000s
General Reserve	537
Earmarked Reserves	923
Total	1,460

This is a decrease of £0.730m in the budgeted sum mainly in respect of the re-profiling of Oportunitas capital scheme 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:

- 2.31 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 £0.173m net 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 £0.382m is assumed in this case. All other Earmarked Reserve movements are in line with previous assumptions and estimates made at Quarter 2 monitoring.

Movement in Earmarked Reserves

Reserve	Balance at 1/4/2017 £'000	Latest Budget £'000	Change £'000	Outturn £'000	Balance at 31/3/2018 £'000
Earmarked					
Business Rates	2,682	0	441	441	3,123
Carry Forward	1,117	-312	1	-311	806
Corporate Initiatives	754	-439	21	-418	336
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	358	-75	283	2,714
VET Reserve	876	-62	-144	-206	670
Economic Development	2,027	-150	0	-150	1,877
Otterpool	1,989	-1,551	1,378	-173	1,816
Maintenance of Graves	12	0	0	0	12
Total Earmarked Reserves	12,467	-2,124	1,622	-502	11,965

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.
Failure to address the significant budget pressure arising from the	High	High	Implement solutions that reduce the number of costly claims that attract

costs of increased housing benefit (temporary accommodation) claims			restricted levels of DWP subsidy.
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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 (LH)

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

Councillors 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@shepway.gov.uk

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

Budget projection working papers.