

This Report will be made public on 5 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

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

Budget outturn and projection working papers