

This Report will be made
public on 4 September
2018

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **C/18/30**

To: Cabinet
Date: 12 September 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 – 1ST QUARTER 2018/19

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 July 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/18/30.

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 July 2018.
- 1.2 General Fund projections are made against the latest approved estimate and approved virements within year to 31 July 2018.
- 1.3 The projections shown in the report are made at a relatively early stage in the financial year and will be subject to further change which will be reported to Cabinet as part of the regular budget monitoring process.

2. GENERAL FUND REVENUE 2018/19 - PROJECTED OUTTURN

- 2.1 The Quarter 1 projected outturn for service areas shows a forecast of £18,532k against the latest approved budget of £19,027k which gives a favourable variance of £495k.
- 2.2 When taking into account other entries such as Other Service Grants and Business Rates Income, the total projected underspend is £481k.
- 2.3 The following table summarises the latest projected outturn position across the Service Units:

General Fund Net Cost of Services	Latest Approved Budget	Projected Outturn	Variance
	£'000	£'000	£'000
Planning Advisor	241	243	2
Leadership Support	927	752	-175
Communications	291	294	3
Democratic Services & Law	4,934	4,994	60
Human Resources	2,982	2,972	-10
Finance	3,403	3,006	-397
Contracts Manager	358	360	2
Strategic Development Project	1,342	1,427	85
Economic Development	1,076	1,088	12
Planning	789	770	-19
Commercial & Technical Services	2,908	2,475	-433
Sub-Total – Heads of Services	19,251	18,381	-870
Unallocated Net Employee Costs	-224	151	375
Total – Heads of Service	19,027	18,532	-495

2.4 The main variations are shown and explained in more detail below.

	£'000
Administration budgets incl. vacancy factor	121
Democratic Services & Law	
Household Waste Collection	29
Hythe Swimming Pool	23
Human Resources	
Cemeteries	56
Finance	
Pensions Back Funding	-43
Housing Benefit/Rent Rebates	-184
Council Tax Collection	-103
Planning	
Market Income	25
Pre-Application Fees	-40
Commercial & Technical Services	
On Street Parking	-187
Off Street Parking	-62
Building Control	-61
Community Parks & Open Spaces	-30
Building Holding Accounts	-77
Other small variations	38
Total – Heads of Service	-495

Administration Budgets

There are various underspends across service areas within the administration budgets mainly relating to staffing costs and there is also an assumed vacancy factor amount budgeted for each year.

Democratic Services & Law

Household Waste Collection – the reduction in income relates to the sale of wheeled bins being lower than originally expected. This budget variance will be addressed during the 2019/20 budget setting process.

Hythe Swimming Pool – the increase mainly relates to lifeguard training and staffing costs and is partly off-set by over recovery in income due to an increased uptake in pool usage.

Human Resources

Cemeteries - the reduced income trend over recent years is continuing and the projection is based on this and previous years outturn. This budget variance will be addressed during the 2019/20 budget setting process.

Finance

Pensions Back Funding – the underspend relates to the amount to be charged to the HRA being higher than originally budgeted for. This budget variance will be addressed during the 2019/20 budget setting process.

Housing Benefit/Rent Rebates – the projected net underspend on Housing Benefits mainly relates to the projected over recovery of rent allowance recovery of overpayments of £233k. This is based on previous years outturn and the current trend for the first quarter.

Council Tax Collection – the increase in income relates to a grant being received from Kent County Council (KCC) relating to Empty Homes Incentive.

Planning

Market Income – the reduction in income is a result of continued under-utilisation of available spaces. A market policy is currently under development and officers are exploring other options for the delivery of a market provision.

Pre-Application Fees – there is a projected over recovery of income based on previous years outturn and current trends. This budget variance will be addressed during the 2019/20 budget setting process.

Commercial & Technical Services

Car Parking - income projections for both on-street and off-street parking continues to increase in line with current trends. This budget variance will be addressed during the 2019/20 budget setting process.

Building Control – the projected additional income for building control fees is based on previous years outturn and current trends. This budget variance will be addressed during the 2019/20 budget setting process.

Building Holding Accounts – the increase in income relates to rental income being received for Otterpool Farm.

2.5 Further variances below the heads of service total are shown below.

Interest and Investment Income

Additional £11k investment interest is projected to be received mainly due to having higher than anticipated cash balances.

Other Non-Service related Government Grants

There is projected to be additional grant received of £102k which reflects net changes to Section 31 grant received from Ministry of Housing, Communities & Local Government (MHCLG) in relation to Business Rates for changes in small business rates and discretionary reliefs.

Capital Financed from Revenue

In line with the projected outturn position on the General Fund Capital Budget Monitoring report (also on this agenda) it is reported that this cost will be approximately £1,630k in 2018/19.

This is an increase of £1,433k in the budgeted sum in respect of the re-profiling of capital schemes 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

The projected movement on Earmarked Reserves reflects the release of £11k from the VET Reserve and £64k from the Corporate Initiatives Reserve although in year use of this reserve is subject to a review and confirmation process.

The total approved carry forwards from 2017/18 was £351k and included within the projection for the Carry Forward Reserve is £66k that has been released in 2018/19. It is assumed that a further £285k will be used during the year and transferred out of the Carry Forward Reserve with the service areas amended accordingly.

Movement in Earmarked Reserves

Reserve	Balance at 1/4/2018 £'000	Latest Budget £'000	Projection £'000	Change £'000	Balance at 31/3/2019 £'000
Earmarked					
Business Rates	3,160	335	335	0	3,495
Leisure Reserve	197	0	0	0	197
Carry Forwards	420	-116	-116	0	304
VET Reserve	654	28	17	-11	671
Invest to Save	366	0	0	0	366
Maintenance of Graves	12	0	0	0	12
New Homes Bonus (NHB)	2,713	-189	-189	0	2,524
Corporate Initiatives	379	0	-64	-64	315
IFRS Reserve	49	-12	-12	0	37
Otterpool Park Garden Town	2,232	-1,019	-1,019	0	1,213
Economic Development	2,194	0	0	0	2,194
Community Led Housing	437	0	0	0	437
Lydd Airport	9	0	0	0	9
Homelessness Prevention	215	0	0	0	215
Total Earmarked Reserves	13,037	-973	-1,048	-75	11,989

Business Rates Income

Business Rates income has fallen by £202k compared to budget due to an increase in the levy payment due in 2018/19. This is as a result of an increase in the compensation due for the changes to Small Business Rates Relief Thresholds as per the Budget 2016 announcement which has increased the NDR growth on which the levy is payable.

This increase is partly offset by the increase in Section 31 grant receivable shown under Other Non-Service related Government Grants.

- 2.6 With the above variances added to the service areas favourable variance of £495k, the overall position for the general fund shows a projected underspend of £481k.

3 CONCLUSIONS

- 3.1 The projected outturn shown for the General Fund revenue account for 2018/19 reflects the position based on actual expenditure and forecasts at 31 July 2018. The projected outturn will be reviewed, updated and reported to Cabinet as part of the regular budget monitoring process for 2018/19.

4. RISK MANAGEMENT ISSUES

- 4.1 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 costs of increased housing benefit (temporary accommodation) claims	High	High	Implement solutions that reduce the number of costly claims that attract restricted levels of DWP subsidy.

5 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

- 5.1 **Legal Officer's Comments (DK)**
There are no legal implications arising directly out of 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/policy and therefore does not require an Equity Impact Assessment

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@shepway.gov.uk

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

Budget projection working papers.