

This Report will be made public on 4 December 2018

Report Number **C/18/56**

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**To:** Cabinet  
**Date:** 12 December 2018  
**Status:** Non-Key Decision  
**Head of Service:** Charlotte Spendley – Assistant Director Finance, Customer & Support Services  
**Cabinet Member:** Councillor Malcolm Dearden - Cabinet Member for Finance

**SUBJECT: GENERAL FUND REVENUE BUDGET MONITORING – 2<sup>ND</sup> 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 October 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/18/56.
2. To agree to utilise £100,000 for local environmental enhancements, that meet the conditions outlined in 2.5, to be agreed by the Head of the Paid Service in consultation with the Leader of the Council.

## 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 October 2018.
- 1.2 General Fund projections are made against the latest approved estimate and approved virements within year to 31 October 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 2 projected outturn for service areas shows a forecast of £19,902k against the latest approved budget of £19,146k resulting in a variance of £756k (projected overspend).
- 2.2 When taking into account other entries such as Earmarked Reserves, Other Service Grants and Business Rates Income, the total projected outturn is a projected underspend of £450k.
- 2.3 The following table summarises the latest projected outturn position across the Service Units:

<b>General Fund Net Cost of Services</b>	<b>Latest Approved Budget</b>	<b>Projected Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Planning Advisor	241	300	59
Leadership Support	926	762	-164
Communications	297	303	6
Democratic Services & Law	4,935	4,986	51
Human Resources	2,973	2,919	-54
Finance	3,382	3,304	-78
Contracts Manager	358	362	4
Strategic Development Project	1,343	2,450	1,107
Economic Development	1,123	1,113	-10
Planning	793	750	-43
Commercial & Technical Services	2,999	2,453	-546
<b>Sub-Total – Heads of Services</b>	<b>19,370</b>	<b>19,702</b>	<b>332</b>
Unallocated Net Employee Costs	-224	200	424
<b>Total – Heads of Service</b>	<b>19,146</b>	<b>19,902</b>	<b>756</b>

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

	<b>£'000</b>
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Administration budgets incl. vacancy factor	177
<b>Democratic Services &amp; Law</b>	
Household Waste Collection	-28
Hythe Swimming Pool	37
<b>Human Resources</b>	
Cemeteries	45
Homelessness	-25
<b>Finance</b>	
Pensions Back Funding	-43
Environmental Improvements (see 2.5 below)	100
Housing Benefit/Rent Rebates	51
Council Tax Collection	-24
Council Tax Reduction Scheme	-130
<b>Strategic Development</b>	
Otterpool Park	1,084
<b>Planning</b>	
Market Income	20
Pre-Application Fees	-30
Development Control	-20
Planning Policy	-20
<b>Commercial &amp; Technical Services</b>	
On Street Parking	-132
Off Street Parking	-82
Building Control	-81
Building Holding Accounts	-111
Other small variations	-32
<b>Total – Heads of Service</b>	<b>756</b>

#### 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 increase in income relates to the sale of garden waste bins being higher than originally expected.

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 has been addressed during the 2019/20 budget setting process.

Homelessness – the increase in income relates to the recovery of income relating to self-contained nightly lets, which produces a higher rate of contributions than the bed and breakfast costs.

#### Finance

Pensions Back Funding – the underspend relates to the amount to be charged to the HRA being higher than originally budgeted for.

Housing Benefit/Rent Rebates – the projected net overspend on Housing Benefits mainly relates to the projected increase in rent allowance payments.

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

#### Strategic Development

Otterpool Park - The projected cost for progressing the Otterpool masterplanning process in 2018/19, both as a developer and as the local planning authority, is projected to be £1,084k more than budgeted.

Approximately £700k of this increase is due to the reprofiling of expenditure from 2017/18.

The remainder of the increase relates to various increases in developer costs for the masterplanning process including:-

- additional archaeological and ecological survey work for the existing land and new land added to the plan;
- extending the programme of work being required to support the project through the Collaboration Board and Project Board undertaken by Arcadis;
- enhanced communications work and;
- Business Plan costs previously expected to be met by a contribution from Homes England now met directly by the developers.

The projected increase in cost of £1,084k will be met from the Otterpool Reserve.

#### 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 has been addressed during the 2019/20 budget setting process.

Development Control – the underspend relates to professional fees and advice no longer required.

Planning Policy – the increase in income relates to neighbourhood plan grant income and a S106 contribution being received.

#### 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 has been 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 has been addressed during the 2019/20 budget setting process.

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

#### Transformation Project

The transformation project is currently on target to spend the budget that was approved by Cabinet in March 2018. This was profiled over 2 years with 2018/19 being year 1 and at present is projecting to be on target however, this will be reviewed on an ongoing basis and reprofiled if necessary.

### 2.5 Environmental Improvements

Due to the strong financial improvements during the financial year it is proposed a sum of £100,000 be allocated evenly across Cabinet (£10,000 per portfolio holder) for the purposes of local environmental enhancements. In order to be met from the available resources the funds will be spent only on one off items and will not have any recurring financial impact. Additionally it is proposed any area the funds are spent on should not contradict or work against any existing Council policies, the funds must be spent by the end of the 2018/19 financial year (31st March 2019), that there should be proper consideration of value for money in determining the proposed spending. It is proposed that the agreement for the projects will be determined by the Head of Paid Service in consultation with the Leader of the Council.

### 2.6 Further variances below the heads of service total are shown below.

#### Interest and Investment Income

Additional £13k 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 £107k 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 latest projected outturn position on the General Fund Capital Budget Monitoring report 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 £111k 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 £168k that has been released in 2018/19. It is assumed that a further £183k 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
<b>Earmarked</b>					
Business Rates	3,160	335	335	0	3,495
Leisure Reserve	197	0	0	0	197
Carry Forwards	420	-218	-218	0	202
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	-2,141	-1,122	91
Economic Development	2,194	-23	-23	0	2,171
Community Led Housing	437	0	0	0	437
Lydd Airport	9	0	0	0	9
Homelessness Prevention	215	0	0	0	215
<b>Total Earmarked Reserves</b>	<b>13,037</b>	<b>-1,098</b>	<b>-2,295</b>	<b>-1,197</b>	<b>10,742</b>

#### Business Rates Income

Business Rates income has fallen by £222k 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.

- 2.7 With the above variances added to the service areas favourable variance of £756k, the overall position for the general fund shows a projected underspend of £450k.

### 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 October 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.

### 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

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@folkestone-hythe.gov.uk](mailto:leigh.hall@folkestone-hythe.gov.uk)*

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

Budget projection working papers.