

This Report will be made public on 5 March 2019.

Report Number **C/18/83**

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**To:** Cabinet  
**Date:** 13 March 2019  
**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 – 3<sup>RD</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 December 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/18/83.**

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

## 2. GENERAL FUND REVENUE 2018/19 - PROJECTED OUTTURN

- 2.1 The Quarter 3 projected outturn for service areas shows a forecast of £19,185k against the latest approved budget of £19,202k resulting in a variance of £17k (projected underspend).
- 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 £1,276k. Whilst this is a significant underspend it is worth noting that £589k of this position relates to the delay in the use of revenue expenditure to fund the capital programme, and is therefore not a saving as such to the revenue costs of the Council.
- 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>
Leadership Support	771	586	-185
Strategy Performance & Communications	2,698	2,669	-29
Governance, Law & Regulatory Services	4,788	4,725	-63
Human Resources	579	537	-42
Finance, Customer & Support Services	5,841	6,017	176
Strategic Development	1,423	1,752	329
Economic Development	337	388	51
Planning	325	176	-149
Environment & Corporate Assets	2,664	2,047	-617
<b>Sub-Total – Heads of Services</b>	<b>19,426</b>	<b>18,897</b>	<b>-529</b>
Unallocated Net Employee Costs	-224	288	512
<b>Total – Heads of Service</b>	<b>19,202</b>	<b>19,185</b>	<b>-17</b>

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

	<b>£'000</b>
Administration budgets incl. vacancy factor	134
<b>Strategy, Performance &amp; Communications</b>	
Homelessness	-26
Planning Policy	-20
<b>Governance, Law &amp; Regulatory Services</b>	
Household Waste Collection	21
Hythe Swimming Pool	34
Market Income	34
Recycling & Waste	-29
<b>Human Resources</b>	
Cemeteries	27
<b>Finance, Customer &amp; Support Services</b>	
Pensions Back Funding	-43
Housing Benefit/Rent Rebates	212
Council Tax Collection	75
Council Tax Reduction Scheme	-235
<b>Strategic Development</b>	
Otterpool Park	325
<b>Planning</b>	
Pre-Application Fees	-35
Development Control	-59
<b>Environment &amp; Corporate Assets</b>	
On Street Parking	-135
Off Street Parking	-94
Building Control	-73
Building Holding Accounts	-85
Environmental Improvements	80
Other small variations	-125
<b>Total – Heads of Service</b>	<b>-17</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.

#### Strategy, Performance & Communications

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.

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

### Governance, Law & Regulatory Services

Household Waste Collection – the decrease in income relates to the sale of wheeled bins being lower 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.

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.

Recycling & Waste – the increase in income relates to garden waste bin subscriptions being higher than originally expected.

### 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.

### Finance, Customer & Support Services

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 decrease in income relates to a reduction in court costs income.

Council Tax Reduction Scheme – the increase in income relates to grants being received from Kent County Council (KCC) relating to Fraud Initiative and Empty Homes Incentive Fund.

### 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 £325k more than budgeted.

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 £325k will be met from the Otterpool Reserve.

#### Planning

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.

#### Environment & Corporate Assets

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.

Environmental Improvements - Due to the strong financial improvements during the financial year a sum of £100k was approved and allocated evenly across Cabinet (£10k per portfolio holder) for the purposes of local environmental enhancements. Within 2018/19 £80k is projected to be spent with the remaining £20k being carried forward and spent in 2019/20.

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

#### Interest and Investment Income

An additional £118k 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 latest projected outturn position on the General Fund Capital Budget Monitoring report it is reported that this cost will be approximately £1,041k in 2018/19.

This is a decrease of £589k in the budgeted sum in respect of the re-profiling of capital schemes between financial years. This sum is still anticipated to be incurred, but is now expected to occur in 2019/20.

#### Movement in Earmarked Reserves

The projected movement on Earmarked Reserves reflects the release of £41k from the VET Reserve and £369k from the Otterpool reserve and a contribution of £26k to the Corporate Initiatives Reserve and £56k to the Business Rates reserve.

The total approved carry forwards from 2017/18 was £351k and included within the projection for the Carry Forward Reserve is £170k that has been released in 2018/19. It is assumed that a further £181k will be used during the year and transferred out of the Carry Forward Reserve with the service areas amended accordingly.

#### Business Rates Income

Business Rates income has increased by £68k compared to budget largely due to the allocation of the levy account surplus from prior years announced as part of the Finance Settlement for 2019/20 which will be received in 2018/19.

#### Demand on the Collection Fund

The increase in Council Tax income is a result of tax band increases, lower council tax benefits and higher contributions in lieu.

- 2.6 With the above variances added to the service areas favourable variance of £17k, the overall position for the general fund shows a projected underspend of £1,276k. This position however reflects the revenue impact of slippage in the capital programme of £589k.

### **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 December 2018. The provisional outturn will be reviewed and reported to Cabinet in June 2019.

### **4. RISK MANAGEMENT ISSUES**

- 4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
MTFS becomes	High	Low	The MTFS is reviewed

out of date.			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.