

This Report will be made  
public on 11 June 2019

Report Number **C/19/03**

**To:** Cabinet  
**Date:** 19 June 2019  
**Status:** Non-Key Decision  
**Head of Service:** Charlotte Spendley – Assistant Director Finance,  
Customer & Support Services  
**Cabinet Member:** Councillor David Monk, Leader

**SUBJECT: GENERAL FUND REVENUE 2018/19 PROVISIONAL OUTTURN**

**SUMMARY:** This report summarises the 2018/19 final outturn position (subject to audit) for the General Fund revenue expenditure compared to both the latest approved budget and quarter 3 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 2018/19 final outturn position.

**RECOMMENDATIONS:**

1. To receive and note Report C/19/03.
2. As detailed in paragraph 2.3, to allocate £417k of unspent 2018/19 budgets to the Carry Forward Reserve.

## **1. INTRODUCTION**

- 1.1 This report brings the 2018/19 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 3.
- 1.2 The Statement of Accounts for 2018/19 will be audited during July and the audited set will be submitted to Audit and Governance Committee on 30 July 2019 for approval.

## **2. GENERAL FUND OUTTURN 2018/19**

- 2.1 The draft Statement of Accounts 2018/19 reports the following year end position. This report however expands further on the detail.
- 2.2 The final outturn shows a net position of £1,232k against the latest approved estimated of £3,435k. This represents an improved financial position of £2,203k compared to the latest approved 2018/19 budget.
- 2.3 A more detailed explanation of the final outturn is set out in the following paragraphs. In addition to the carry forwards (which are set out below), any outstanding balance will be transferred to the Council's General Reserve where it will be available for use to support expected future expenditure pressures such as the new waste contract which is to commence in January 2021. It should be noted that there were some unique factors contributing to the financial position. The strength of the economy has resulted in additional income of approximately £648k and there have been some one off grants which had not been anticipated when the budget was originally set. In addition, the Council received £440k from the benefit of the business rates pool and treasury investments were proactively managed to provide additional income. A significant factor was reprofiling of revenue contribution to capital spend (£873k) which is explained in more detail in paragraph 2.7.4.
- 2.4 The provisional carry forwards are £417k which were approved by the Section 151 Officer as budgeted revenue expenditure relating to 2018/19 to be carried forward to 2019/20. Recommendation 2 of this report seeks confirmation of this position, and appendix 1 outlines the proposed carry forwards by service area.
- 2.5 Section 3 of the report compares the outturn to the projected outturn at quarter 3 as reported to Cabinet in March 2019. The outturn for the General Fund Revenue in 2018/19 is summarised below:

<b>General Fund Net Cost of Services</b>	<b>Latest Approved Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Leadership Support	770	590	-180
Strategy Performance & Communications	2,727	3,548	821
Governance, Law & Regulatory Services	4,782	4,602	-180
Human Resources	585	734	149
Finance, Customer & Support Services	5,861	5,705	-156
Strategic Development	1,425	575	-850
Economic Development	338	341	3
Planning	317	223	-94
Environment & Corporate Assets	2,671	1,788	-883
<b>Sub-Total – Heads of Services</b>	<b>19,476</b>	<b>18,106</b>	<b>-1,370</b>
Unallocated Net Employee Costs	-224	0	224
<b>Total – Heads of Service</b>	<b>19,252</b>	<b>18,106</b>	<b>-1,146</b>
Internal Drainage Board Levies	453	453	0
Interest Payable and Similar Charges	452	391	-61
Interest and Investment Income	-678	-852	-174
New Homes Bonus Grant	-1,362	-1,361	0
Other Non-Service Related Government Grants	-1,240	-1,720	-480
Town and Parish Precepts	2,283	2,283	0
Minimum Revenue Provision	373	373	0
Capital Expenditure Financed from Revenue	1,630	757	-873
<b>NET REVENUE EXPENDITURE BEFORE USE OF RESERVES</b>	<b>21,163</b>	<b>18,429</b>	<b>-2,734</b>
Net Transfers to/from Earmarked Reserves	-1,201	3,155	4,356
<b>TOTAL TO BE MET BY TAXPAYERS</b>	<b>19,962</b>	<b>21,584</b>	<b>1,622</b>
Transfer to/from(-) Collection Fund	-100	-699	-599
Business Rates Income	-4,244	-7,470	-3,226
Demand on the Collection Fund	-12,183	-12,183	0
<b>SURPLUS(-)/DEFICIT FOR THE YEAR</b>	<b>3,435</b>	<b>1,232</b>	<b>-2,203</b>

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

	£'000
Administration budgets	-119
<b>Strategy, Performance &amp; Communications</b>	
Homelessness	-68
Planning Policy	-100
General Grants - Business Rates Levy	586
Otterpool Park (Local Planning Authority)	-78
Folkestone CLLD	64
<b>Governance, Law &amp; Regulatory Services</b>	
Household Waste Collection	105
Licensing - Market Income	-30
Recycling & Waste	-48
Cleansing	-56
<b>Finance, Customer &amp; Support Services</b>	
Cemeteries	31
Pensions Back Funding	-55
Housing Benefit/Rent Rebates	-568
Council Tax Collection	75
Council Tax Reduction Scheme	-212
<b>Strategic Development</b>	
Otterpool Park	-883
<b>Planning</b>	
Development Control - income	-28
Development Control - expenditure	-39
<b>Environment &amp; Corporate Assets</b>	
On Street Parking	-247
Off Street Parking	-268
Building Control	-64
Building Holding Accounts	-127
Grounds Maintenance	-43
Lifeline	-42
Transformation Project	1,104
Other small variations	-36
<b>Total – Heads of Service</b>	<b>-1,146</b>

#### 2.6.1 Administration Budgets

There are various underspends across service areas within the administration budgets mainly relating to training costs and professional fees and advice.

#### 2.6.2 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 decrease in expenditure relates to professional fees and advice for inspector's fees for the places and policy local plan and there is increased income due to a neighbourhood plan grant being received.

General grants-Business Rates Levy – General grants is showing an overspend of £586k in relation to payment of non-Folkestone & Hythe District Council (FHDC) shares of the NDR Pool benefit for 2018/19 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.

Otterpool Park (Local Planning Authority) – please see below.

Folkestone CLLD – the council is the accountable body for the Folkestone Community Led Local Development (CLLD) and the programme runs for 5 years, until 2022/23.

The programme management costs are funded 50% from European Regional Development Fund (ERDF) / European Social Fund (ESF) and 50% from FHDC. The council approves and releases grant money and then claims back from ERDF/ESF, due to timing differences there is a variance at the end of 2018/19 however, over the length of the programme the payments and grants received will off-set.

#### 2.6.3 Governance, Law & Regulatory Services

Household Waste Collection – the increase in expenditure relates to an increase in contract recharges being higher than originally expected.

Licensing-market income – this income has reduced as 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 underspend relates to an increase in income for garden waste bin subscriptions being higher than originally expected and a decrease in expenditure relating to contract recharges.

Cleansing - the decrease in expenditure relates to contract recharges being lower than originally expected.

#### 2.6.4 Finance, Customer & Support Services

Cemeteries - the reduction in income over recent years has continued in 2018/19 and this is expected to continue into future years & has been addressed within the 2019/20 budget setting.

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 net underspend on Housing Benefits relates to the decrease in rent allowance payments and the net underspend on Rent Rebates relates to a decrease in Rent Rebate payments.

These areas are a major element of expenditure for the council but over which little control 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 decreased expenditure is a very small percentage of overall expenditure incurred.

Council Tax Collection – the amount of income received from council tax was lower than in previous years due to the amount of costs awarded to us being reduced during 2018/19.

Council Tax Reduction Scheme – the increase in income relates to additional grants being received from Kent County Council (KCC) relating to Fraud Initiative (£117k) and Empty Homes Incentive Fund (£103k).

#### 2.6.5 Strategic Development

Otterpool Park - The costs for both the Developer and the Local Planning Authority budgets have underspent in 2018/19 however, as the majority of the Otterpool budgets are funded from the Otterpool Reserve these will need to be re-profiled into 2019/20.

The masterplanning costs in 2018/19 are higher overall than anticipated due to increases in developer costs, however this is off-set by grant being received from Homes England.

The decrease in cost of £961k will be put into the Otterpool Reserve to be utilised during 2019/20.

#### 2.6.6 Planning

Development Control – income for pre-application fees received have continued to increase and there is also an underspend within expenditure relating to professional fees and advice, which is part of the proposed carry forwards for use in 2019/20.

#### 2.6.7 Environment & Corporate Assets

Car Parking – both the on-street and off-street parking have over-achieved its income budgets by £247k and £268k respectively as services have continued to see a substantial increase in income due to greater usage and an increase in penalty notices issued. There has also been an increase in residents parking permits for on-street parking.

Building Control – the building regulation fees received have continued to see a substantial increase in income.

Building Holding Accounts – the increase in income relates to rental income being received for Otterpool Farm and miscellaneous rents received for Corporate Properties.

Grounds Maintenance – the reduction in costs relates to a combination of salary costs underspending which are partly off-set by a decrease in income from Oportunitas.

Lifeline – there is a net reduction in income due to the rental of portal lifeline units receiving less income than originally budgeted for and salary costs underspending.

#### 2.6.8 Transformation Project

Although the transformation project is currently showing a variance, the spending is on target to utilise the budget that was approved by Cabinet in February 2018. The budget is being held centrally and was profiled over 3 years with 2018/19 being year 1. The funding will be drawn to match the profile of spend of the project and will continue to be monitored and re-profiled as necessary. The transformation project is at present projecting to be within budget overall.

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

##### 2.7.1 Interest Payable and Similar Charges

The £61k variance relates to a reduction in the Bad Debt Provision required at year end, largely relating to Housing Benefit overpayments.

##### 2.7.2 Interest and Investment Income

An additional £174k investment interest has been received due to a combination of higher than anticipated cash balances over the year, a general upward movement in interest rates on cash investments and also the council's decision to move some of its investment portfolio into higher yielding diversified income pooled funds.

##### 2.7.3 Other Non-Service related Government Grants

There has been additional grant received of £480k within 2018/19 which relates to £134k additional Section 31 grant for Business Rates reliefs awarded, £56k NDR Levy Account Surplus allocation and £290k EU Brexit Funding. This additional income has been transferred to earmarked reserves.

##### 2.7.4 Capital Financed from Revenue

There is a decrease of £873k in the budgeted sum in respect of the re-profiling of capital schemes between financial years due to slippage. This sum is still anticipated to be incurred, but is now expected to occur in 2019/20.

Notably £778k of this relates to the council's planned funding for Oportunitas Limited, its wholly owned housing and regeneration subsidiary company.

##### 2.7.5 Movement in Earmarked Reserves

The table below sets out the various Earmarked Reserves that the council holds and shows the movement in year to be £4,356k. The Carry Forward reserve includes £417k which was approved by the Section 151 Officer as budgeted revenue expenditure relating to 2018/19 to be carried forward to

2019/20 and will be endorsed through the approval of recommendation 2 of this report.

Based on the outturn as at 31 March 2019 the council's net movements in earmarked reserves were:

<b>Earmarked Reserve</b>	<b>Balance at 1/4/2018 £'000</b>	<b>Latest Budget £'000</b>	<b>Movement £'000</b>	<b>Outturn £'000</b>	<b>Balance at 31/3/2019 £'000</b>
Business Rates	3,160	335	2,001	2,336	5,496
Leisure Reserve	197	0	0	0	197
Carry Forwards	420	-322	625	303	723
VET Reserve	654	28	-45	-17	637
Invest to Save	366	0	0	0	366
Maintenance of Graves	12	0	0	0	12
New Homes Bonus (NHB)	2,713	-189	0	-189	2,524
Corporate Initiatives	379	0	26	25	404
IFRS Reserve	49	-11	0	-11	38
Otterpool Park Garden Town	2,232	-1,019	916	-103	2,129
Economic Development	2,194	-23	729	707	2,901
Community Led Housing	437	0	0	0	437
Lydd Airport	9	0	0	0	9
Homelessness Prevention	215	0	104	104	319
<b>Total Earmarked Reserves</b>	<b>13,037</b>	<b>-1,201</b>	<b>4,356</b>	<b>3,155</b>	<b>16,192</b>

#### 2.7.6 Collection Fund

The £599k movement in the Collection Fund surplus between estimated and actual outturn.

#### 2.7.7 Business Rates Income

Business Rates income has increased by £3,226k compared to budget largely due to the reduced levy as a result of participation in the Kent Business Rates Pool of £1,061k and the benefit from 100% Retention Pilot of £2,165k. The Pool membership benefits were not budgeted for due to the uncertainty at the time of the Budget setting process. Additional income from the 100% Retention Pilot has been transferred to earmarked reserves.

### 3. GENERAL FUND OUTTURN 2018/19 COMPARED TO PROJECTED OUTTURN



- 3.1 This section compares the final outturn to the projected outturn at quarter 3 as reported to Cabinet in March 2019.

<b>General Fund Net Cost of Services</b>	<b>Projected Outturn @ Qtr 3</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Leadership Support	586	590	4
Strategy Performance & Communications	2,669	3,548	879
Governance, Law & Regulatory Services	4,725	4,602	-123
Human Resources	537	734	197
Finance, Customer & Support Services	5,937	5,705	-232
Strategic Development	1,752	575	-1,177
Economic Development	388	341	-47
Planning	176	223	47
Environment & Corporate Assets	2,127	1,788	-339
<b>Sub-Total – Heads of Services</b>	<b>18,897</b>	<b>18,106</b>	<b>-791</b>
Unallocated Net Employee Costs	288	0	-288
<b>Total – Heads of Service</b>	<b>19,185</b>	<b>18,106</b>	<b>-1,079</b>

- 3.1.1 The major reasons for the variance at 'total for service' level are as follows:

	<b>£'000</b>
<b>Strategy, Performance &amp; Communications</b>	
Planning Policy	-80
General Grants - Business Rates Levy	585
Otterpool Park (Local Planning Authority)	-99
<b>Governance, Law &amp; Regulatory Services</b>	
Household Waste Collection	84
<b>Finance, Customer &amp; Support Services</b>	
Housing Benefit/Rent Rebates	-482
Transformation funding	440
<b>Strategic Development</b>	
Otterpool Park	-1,182
<b>Environment &amp; Corporate Assets</b>	
On Street Parking	-112
Off Street Parking	-174
Other small variations	-59
<b>Total – Heads of Service</b>	<b>-1,079</b>

## 4. RISK MANAGEMENT ISSUES

- 4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
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Significant amendments having to be made to the financial results following audit.	Medium	Low	The formal accounts have been prepared in accordance with professional standards and best accounting practice.
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## 5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

### 5.1 Legal Officer's Comments (AK)

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@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 outturn and projection working papers.