

This Report will be made public on 5 November 2019.

Report Number **C/19/42**

To: Cabinet
Date: 13 November 2019
Status: Non-Key Decision
Head of Service: Charlotte Spendley – Assistant Director Finance, Customer & Support Services
Cabinet Member: Councillor David Monk – Leader of the Council

SUBJECT: GENERAL FUND REVENUE BUDGET MONITORING – 2ND QUARTER 2019/20

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 August 2019.

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/19/42.

1. INTRODUCTION AND BACKGROUND

- 1.1 This report updates Cabinet on the likely projected outturn on the General Fund revenue budget, based on data at 31 August 2019.
- 1.2 General Fund projections are made against the latest approved estimate (incorporating approved virements).

2. GENERAL FUND REVENUE 2019/20 - PROJECTED OUTTURN

- 2.1 The Quarter 2 projected outturn for service areas shows a forecast of £18,991k against the latest approved budget of £19,590k resulting in a variance of £599k (projected underspend).
- 2.2 When taking into account other operating expenses & income, as well as movement on earmarked reserves & capital financing, the total projected outturn is a projected underspend of £514k.
- 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
Customer, Support & Specialist Services	322	285	-37
Leadership Support	700	706	6
Governance, Law & Regulatory Services	5,914	5,977	63
Human Resources	630	588	-42
Finance, Customer & Support Services	7,718	6,983	-735
Strategic Development	926	2,157	1,231
Economic Development	596	598	2
Planning	513	600	87
Environment & Corporate Assets	2,611	1,097	-1,514
Sub-Total – Heads of Services	19,930	18,991	-939
Unallocated Net Employee Costs	-340	0	340
Total – Heads of Service	19,590	18,991	-599

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

	£'000
Administration budgets incl. vacancy factor	360
Finance, Customer & Support Services	
Housing Benefit/Rent Rebates – decrease in payments	-368
Council Tax Reduction Scheme – additional grant	-213
Strategic Development	
Otterpool Park – Matserplanning costs	1,284
Planning	
Development Control – additional income from Planning Performance Agreements	-200
Environment & Corporate Assets	
On Street Parking – additional income	-55
Off Street Parking – additional income	-160
Building Holding Accounts – additional rental income from Otterpool farms	-50
Commercial Properties – Connect 38 income	-1,100
Other small variations	-97
Total – Heads of Service	-599

Administration Budgets

This represents variances across various service areas within the administration budgets mainly relating to staffing costs. This position is net of the agreed vacancy factor amount budgeted for each year and Transformation project savings.

Finance, Customer & Support Services

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

Council Tax Reduction Scheme – the increase in income relates to grants being received from Kent County Council (KCC) in respect of additional Support Grant and Empty Homes Incentive Fund.

Strategic Development

Otterpool Park – The net cost for progressing the Otterpool masterplanning process in 2019/20, both as a developer and as the local planning authority, is projected to be £1,284k more than budgeted.

The increase mainly relates to work required to support the project undertaken by consultants Arcadis for the Collaboration Board and Project Board in order to achieve outline planning permission.

All projected costs for 2019/20 will be met from the Otterpool Reserve.

Planning

Development Control – following the successful introduction of Planning Performance Agreements additional income is projected to be received in 2019/20.

Environment & Corporate Assets

Car Parking – despite increasing the base budget projections for 2019/20, income projections for both on-street and off-street parking continue to increase in line with current trends.

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

Commercial Properties – the projected rental income to be received relates to the Connect 38 offices in Ashford, acquired in May 2019. The full acquisition cost £17.7m has been met from Prudential Borrowing. For 2019/20 it is projected that the council will be able to use cheaper internal borrowing from available cash balances to temporarily meet the capital cost of Connect 38 rather than take out new external borrowing. The impact of the internal borrowing has been contained within the interest payable and receivable budgets which are held outside of the heads of service area. Further, the requirement on the council to make an annual Minimum Revenue Provision (MRP) charge to offset the Capital Financing Requirement arising from the borrowing does not commence until 2020/21. The annual MRP charge for Connect 38 is estimated to be in the region of £500k.

The rental income received from Connect 38, which did not feature in the approved 2019/20 budget has been reversed out and taken to Earmarked Reserves as shown below.

Transformation Project

The transformation project has an approved budget that was set by Cabinet in February 2018 and this was profiled over the period of the programme with funding being drawn down as required. This is being monitored, however at the present time there will be no variances affecting the overall spending position of the council for this report. This will continue to be monitored to ensure the funding is spent effectively and any potential variances will be reported in due course.

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

Other Non-Service related Government Grants

There is projected to be additional grant received of £290k which reflects net changes to grants received from Ministry of Housing, Communities & Local Government (MHCLG) in relation to additional Brexit funding of (£317k) partially offset by a reduction in Section 31 grant relating to lower business rates discretionary reliefs awarded of £27k.

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 £1,202k in 2019/20.

This is an increase of £1,064k in the budgeted sum with the majority of it relating to the re-profiling of capital schemes between 2018/19 and the current financial year (£979k).

There is also expected to be additional spend relating to ICT costs for server upgrade and laptop replacements of £85k.

Movement in Earmarked Reserves

The projected movement on Earmarked Reserves reflects the release of £161k from the VET Reserve and £1,290k from the Otterpool reserve and a contribution of £50k to the Leisure Reserve, £1,862k to the Economic Development reserve and £308k to the Business Rates reserve.

The total approved carry forwards from 2018/19 was £417k and included within the projection for the Carry Forward Reserve is £136k that has been released in 2019/20. It is assumed that a further £281k will be used during the year and transferred out of the Carry Forward Reserve with the service areas amended accordingly.

Reserve	Balance at 1/4/2019 £'000	Latest Budget £'000	Projection £'000	Change £'000	Balance at 31/3/2020 £'000
Earmarked					
Business Rates	5,496	59	367	308	5,863
Leisure Reserve	197	0	50	50	247
Carry Forwards	723	-176	-344	-168	379
VET Reserve	637	24	-137	-161	500
Invest to Save	366	0	0	0	366
Maintenance of Graves	12	0	0	0	12
New Homes Bonus (NHB)	2,524	-165	-165	0	2,359
Corporate Initiatives	404	260	260	0	664
IFRS Reserve	38	-7	-7	0	31
Otterpool Park Garden Town	2,129	-278	-1,568	-1,290	561
Economic Development	2,901	-742	1,120	1,862	4,021
Community Led Housing	437	0	0	0	437
Lydd Airport	9	0	0	0	9
Homelessness Prevention	319	0	0	0	319
High Street Regeneration	0	3,000	3,000	0	3,000
Total Earmarked Reserves	16,192	1,975	2,576	601	18,768

Business Rates Income

There is a net increase in Business Rates income which is based on latest estimates due to lower gross rates payable and higher mandatory reliefs awarded of £298k which is off-set by the projected pool benefit for 2019/20 of (£616k).

- 2.6 With the above variances added to the service areas favourable variance of £599k, the overall position for the general fund shows a projected underspend of £514k.

3. CONCLUSIONS

- 3.1 The projected outturn shown for the General Fund revenue account for 2019/20 reflects the position based on actual expenditure and forecasts at 31 August 2019.

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 (NE)**

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

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

Budget projection working papers.