

This Report will be made public on 14 January 2019

Report Number **C/19/64**

To: Cabinet
Date: 22 January 2020
Status: Non-Key Decision
Responsible Officer: Charlotte Spendley – Director of Corporate Services
Cabinet Member: Councillor David Monk – Leader of the Council

SUBJECT: GENERAL FUND REVENUE BUDGET MONITORING – 3RD 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 30 November 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/19/64.
2. To agree to utilise up to £400k to provide interim capacity for the delivery of Corporate Priorities, that meet the conditions outlined in paragraph 2.3, 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 at 30 November 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 3 projected outturn for service areas shows a forecast of £18,010k against the latest approved budget of £19,657k resulting in a variance of £1,647k (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 £890k.
- 2.3 The Council continues to have a very ambitious agenda. Resources are required to assist the delivery of the current and emerging priorities of the Council. Due to the ongoing strong financial performance of the Council it is proposed to utilise some of the projected underspend to support the delivery of the priorities of the Council at this time. Recommendation 2 of this report therefore proposes that a sum of up to £400k be allocated for the purposes of interim capacity for the delivery of Corporate Priorities. 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 this allocation will only be used in the pursuit of agreed corporate priorities. Priority will be given to spending that can be incurred during 2019/20, the balance of the available £400k is proposed to be allocated to an Earmarked Reserve for use during 2020/21.
- 2.4 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 | 311 | -11 |
| Leadership Support | 661 | 638 | -23 |
| Governance, Law & Regulatory Services | 7,346 | 7,308 | -38 |
| Human Resources | 630 | 596 | -34 |
| Finance, Customer & Support Services | 6,334 | 5,409 | -925 |
| Strategic Development | 1,051 | 1,652 | 601 |
| Economic Development | 529 | 532 | 3 |
| Planning | 513 | 545 | 32 |
| Environment & Corporate Assets | 2,611 | 1,019 | -1,592 |
| Sub-Total – Heads of Services | 19,997 | 18,010 | -1,987 |
| Unallocated Net Employee Costs | -340 | 0 | 340 |
| Total – Heads of Service | 19,657 | 18,010 | -1,647 |

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

| | £'000 |
|--|---------------|
| Administration budgets incl. vacancy factor | 409 |
| | |
| Governance, Law & Regulatory Services | |
| Recycling & Waste – additional income | -78 |
| | |
| Finance, Customer & Support Services | |
| Housing Benefit/Rent Rebates – decrease in payments | -659 |
| Council Tax Reduction Scheme – additional grant | -208 |
| | |
| Strategic Development | |
| Otterpool Park – Masterplanning costs | 961 |
| Corporate Investment Initiatives | -370 |
| | |
| Planning | |
| Development Control – additional income from Planning Performance Agreements | -249 |
| | |
| Environment & Corporate Assets | |
| On Street Parking – additional income | -33 |
| Off Street Parking – additional income | -127 |
| Commercial Properties – Connect 38 income | -1,134 |
| | |
| Other small variations | -159 |
| | |
| Total – Heads of Service | -1,647 |

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.

Governance, Law & Regulatory Services

Recycling & Waste – the increase in income relates to an increase in the garden waste collection subscriptions in 2019/20.

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 £961k 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.

Corporate Investment Initiatives – the projected underspend includes the Town Centre Regeneration Initiatives budget and £175k is projected to be spent with the remaining £370k being carried forward and spent in 2020/21. All projected costs will be met from the Corporate Initiatives 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.

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.

2.6 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 £1,217k in 2019/20.

This is an increase of £1,079k 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 £100k.

Movement in Earmarked Reserves

The projected movement on Earmarked Reserves reflects the release of £370k from the VET Reserve and £1,022k from the Otterpool reserve and a contribution of £50k to the Leisure Reserve, £194k to the Corporate Initiatives Reserve, £2,266k 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 £213k that has been released in 2019/20. It is assumed that a further £204k 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 1/4/2019 £'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 | -213 | -381 | -168 | 342 |
| VET Reserve | 637 | 24 | -346 | -370 | 291 |
| 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 | 454 | 194 | 858 |
| IFRS Reserve | 38 | -7 | -7 | 0 | 31 |
| Otterpool Park Garden Town | 2,129 | -278 | -1,300 | -1,022 | 829 |
| Economic Development | 2,901 | -742 | 1,524 | 2,266 | 4,425 |
| 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 | 1,938 | 3,196 | 1,258 | 19,388 |

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).

- 2.7 With the above variances added to the service areas favourable variance of £1,647k, the overall position for the general fund shows a projected underspend of £890k.

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 30 November 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.

5.4 Communications (KA)

There are no significant implications arising directly from this report. Budget information will be communicated as appropriate.

5.5 HR (RB)

There are no HR implications arising directly out of this report.

5.6 Transformation (LH)

There are no direct implications arising from this report on the delivery of the transformation project.

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, Case Management Lead (Support Services)

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.