

This Report will be made public on 16 June 2020

Report Number **C/20/09**

To: Cabinet
Date: 24 June 2020
Status: Non-Key Decision
Head of Service: Charlotte Spendley – Director Corporate Services
Cabinet Member: Councillor David Monk, Leader

SUBJECT: GENERAL FUND REVENUE 2019/20 PROVISIONAL OUTTURN

SUMMARY: This report summarises the 2019/20 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 2019/20 final outturn position.

RECOMMENDATIONS:

1. To receive and note Report C/20/09.
2. As detailed in paragraph 2.4, to allocate £388k of unspent 2019/20 budgets to the Carry Forward Reserve.

1. INTRODUCTION

- 1.1 This report brings the 2019/20 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 2019/20 will be audited during July and the audited set will be submitted to Audit and Governance Committee on 30 July 2020 for approval.

2. GENERAL FUND OUTTURN 2019/20

- 2.1 The draft Statement of Accounts 2019/20 reports the following year end position. This report however expands further on the detail.
- 2.2 The final outturn shows a net position of £5,869k against the latest approved estimated of £5,962k. This represents an improved financial position of £93k compared to the latest approved 2019/20 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.
- 2.4 The provisional carry forwards are £388k which were approved by the Section 151 Officer as budgeted revenue expenditure relating to 2019/20 to be carried forward to 2020/21. 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 January 2020. The outturn for the General Fund Revenue in 2019/20 is summarised below:

General Fund Net Cost of Services	Latest Approved Budget	Outturn	Variance
	£'000	£'000	£'000
Leadership Support	805	803	-2
Transition & Transformation	329	1,397	1,068
Governance & Law	6,476	6,249	-227
Human Resources	630	625	-5
Finance, Strategy & Corporate Services	6,288	5,708	-580
Housing	876	699	-177
Strategic Development	1,051	1,210	159
Economic Development	529	444	-85
Planning	513	164	-349
Operations	2,529	1,714	-815
Sub-Total – Heads of Services	20,026	19,013	-1,013
Unallocated Net Employee Costs	-340	0	340
Total – Heads of Service	19,686	19,013	-673
Internal Drainage Board Levies	462	462	0
Interest Payable and Similar Charges	431	509	78
Interest and Investment Income	-848	-2,338	-1,490
New Homes Bonus Grant	-1,543	-1,543	0
Other Non-Service Related Government Grants	-1,815	-2,130	-315
Town and Parish Precepts	2,313	2,313	0
Minimum Revenue Provision	373	358	-15
Capital Expenditure Financed from Revenue	1,117	502	-615
NET REVENUE EXPENDITURE BEFORE USE OF RESERVES	20,176	17,146	-3,030
Net Transfers to/from Earmarked Reserves	1,880	4,490	2,610
TOTAL TO BE MET BY TAXPAYERS	22,056	21,636	-420
Business Rates Income	-3,496	-3,174	322
Demand on the Collection Fund	-12,598	-12,593	5
SURPLUS(-)/DEFICIT FOR THE YEAR	5,962	5,869	-93

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

	£'000
Administration budgets	349
Transition & Transformation	
Transformation Programme	1,111
Governance & Law	
Recycling & Waste	-91
Cleansing	-32
Local Land Charges	46
Finance, Strategy & Corporate Services	
Housing Benefit/Rent Rebates	-446
Council Tax Collection	80
Council Tax Reduction Scheme	-208
Housing	
Homelessness	-187
Strategic Development	
Otterpool Park	529
Corporate Investment Initiatives	-392
Economic Development	
Regeneration & Economic Development	-89
Planning	
Development Control – professional fees and advice	-136
Development Control – planning income	-305
Development Control – PPA income	-200
Operations	
On Street Parking	-49
Off Street Parking	-119
Building Control	52
Outdoor Sports & Recreation	-250
Sewerage Services	-233
Other small variations	-103
Total – Heads of Service	-673

2.6.1 Administration Budgets

This represents variances across all 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.

The overspend largely relates to Development Control within Planning and is off-set by an increase in planning income as shown below in section 2.6.8.

2.6.2 Transition & Transformation

Transformation Programme - 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 2019/20 being year 2. 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.

2.6.3 Governance & Law

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

Cleansing - the increase in income relates to receiving additional grant from Kent County Council (KCC).

Local Land Charges – the overspend relates to a decrease in land charges income received being lower than originally expected.

2.6.4 Finance, Strategy & Corporate Services

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 court costs was lower than in previous years due to the amount of costs awarded to us being reduced during 2019/20.

Council Tax Reduction Scheme – the increase in income relates to additional grants being received from KCC relating to additional Support Grant (£103k) and Empty Homes Incentive Fund (£105k).

2.6.5 Housing

Homelessness – the increase in income relates to grant received from Ministry of Housing, Communities & Local Government (MHCLG) for our allocation of the Flexible Housing Support Grant and Homeless Reduction Act. This surplus grant has been taken to the earmarked reserve to be used in 2020/21.

2.6.6 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, was £529k 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 costs for 2019/20 will be met from the Otterpool Reserve.

Corporate Investment Initiatives – the underspend includes the Town Centre Regeneration Initiatives budget and is to be carried forward and spent in 2020/21.

All costs will be met from the Economic Development Reserve.

2.6.7 Economic Development

Regeneration & Economic Development – there are various items that contribute to the underspend, including professional fees and advice and a start-up service for local business support, and is part of the proposed carry forwards for use in 2020/21.

2.6.8 Planning

Development Control – income for planning 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 2020/21.

Development Control – following the successful introduction of Planning Performance Agreements (PPA) additional income has been received in 2019/20.

As mentioned in 2.6.1 this additional income off-sets the Development Control salary costs.

2.6.9 Operations

Car Parking – both the on-street and off-street parking have over-achieved its income budgets by £49k and £119k respectively as services have continued to see an increase in income due to greater usage and an increase in penalty notices issue. There has also seen an increase in visitor permits for on-street parking.

Building Control – there was a decrease in building regulation fee income received and was lower than originally expected.

Outdoor Sports & Recreation – Section 106 monies have been received and taken to earmarked reserves to fund future maintenance costs of Shorncliffe Pavilion.

Sewerage Services – there has been contributions received towards the former Churchlands Mains Drainage scheme and is shown within the Heads of Service total before being transferred to the Capital Grants Unapplied Reserve to support capital investment.

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

2.7.1 Interest Payable and Similar Charges

The £78k variance relates to an increase in the Bad Debt Provision in response to the economic impact of Covid-19.

2.7.2 Interest and Investment Income

An additional £1,490k interest and investment income received largely relates to £1,394k net income being received from Investment Property and mainly relating to Connect 38 and an additional £96k from enhanced returns from pooled fund investments.

The rental income 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 the council used 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.

2.7.3 Other Non-Service related Government Grants

There has been additional grant received of £315k within 2019/20 which reflects net changes to grants received from Ministry of Housing, Communities & Local Government (MHCLG) in relation to additional Brexit funding of (£335k) partially offset by a reduction in Section 31 grant relating to lower business rates discretionary reliefs awarded of £20k. This additional income has been transferred to earmarked reserves.

2.7.4 Capital Financed from Revenue

There is a decrease of £615k in the budgeted sum in respect of a saving from an increase in the use of capital receipts to meet the cost of the General Fund capital expenditure in 2019/20.

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 £2,610k.

The Carry Forward reserve includes £388k which was approved by the Section 151 Officer as budgeted revenue expenditure relating to 2019/20 to be carried forward to 2020/21 and will be endorsed through the approval of recommendation 2 of this report.

The main reasons for the variance are £1,272k one-off Connect 38 income moved to reserves, £417k Business Rates Pool benefit not budgeted, £250k Section 106 monies, £400k of the in-year underspend earmarked for Corporate Priorities and £335k additional Brexit funding.

Based on the outturn as at 31 March 2020 the council's net movements in earmarked reserves were:

Earmarked Reserve	Balance at 1/4/2019	Latest Budget	Movement	Outturn	Balance at 31/3/2020
	£'000	£'000	£'000	£'000	£'000
Business Rates	5,496	59	144	203	5,699
Leisure Reserve	197	0	300	300	497
Carry Forwards	723	-271	229	-42	681
VET Reserve	637	24	-404	-380	257
Invest to Save	366	0	0	0	366
Maintenance of Graves	12	0	0	0	12
New Homes Bonus (NHB)	2,524	-165	1	-164	2,360
Corporate Initiatives	404	260	334	594	998
IFRS Reserve	38	-7	0	-7	31
Otterpool Park Garden Town	2,129	-278	-281	-559	1,570
Economic Development	2,901	-742	2,225	1,483	4,384
Community Led Housing	437	0	-20	-20	417
Lydd Airport	9	0	0	0	9
Homelessness Prevention	319	0	82	82	401
High Street Regeneration	0	3,000	0	3,000	3,000
Total Earmarked Reserves	16,192	1,880	2,610	4,490	20,682

2.7.6 Business Rates Income

There is a net reduction in Business Rates income of £322k. This is a result of additional reliefs awarded totalling £555k and a net increase in the appeals provision of £184k following the recent Supreme Court ruling that ATMs in retail outlets are exempt from business rates, which are off-set by the pool benefit for 2019/20 of (£417k).

3. GENERAL FUND OUTTURN 2019/20 COMPARED TO PROJECTED OUTTURN

3.1 This section compares the final outturn to the projected outturn at quarter 3 as reported to Cabinet in January 2020.

General Fund Net Cost of Services	Projected Outturn @ Qtr 3	Outturn	Variance
	£'000	£'000	£'000
Leadership Support	752	803	51
Transition & Transformation	311	1,397	1,086
Governance & Law	6,375	6,249	-126
Human Resources	596	625	29
Finance, Strategy & Corporate Services	5,409	5,708	299

Housing	933	699	-234
Strategic Development	1,652	1,210	-442
Economic Development	532	444	-88
Planning	545	164	-381
Operations	905	1,714	809
Sub-Total – Heads of Services	18,010	19,013	1,003
Unallocated Net Employee Costs	0	0	0
Total – Heads of Service	18,010	19,013	1,003

3.1.1 The major reasons for the variance at ‘total for service’ level are as follows:

	£'000
Administration budgets	128
Transition & Transformation	
Transformation Programme	1,111
Finance, Strategy & Corporate Services	
Housing Benefit/Rent Rebates	213
Council Tax Collection	60
Housing	
Homelessness	-177
Planning	
Development Control – planning income	-300
Development Control – professional fees and advice	-82
Strategic Development	
Otterpool Park	-458
Economic Development	
Regeneration & Economic Development	-89
Operations	
Outdoor Sports & Recreation – Section 106	-250
Building Holding Accounts – Connect 38	1,119
Sewerage Services – Churchlands	-233
Other small variations	-39
Total – Heads of Service	1,003

4. RISK MANAGEMENT ISSUES

4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
----------------	-------------	------------	---------------------

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.
--	--------	-----	--

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, Case Management Lead (Corporate 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 outturn and projection working papers.