

<b>Cabinet</b>	
<b>Meeting Date</b>	11 July 2018
<b>Report Title</b>	Financial Management Report – Outturn 2017/18
<b>Cabinet Member</b>	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance & Performance
<b>SMT Lead</b>	Nick Vickers, Chief Financial Officer
<b>Head of Service</b>	Nick Vickers, Chief Financial Officer
<b>Lead Officer</b>	Phil Wilson, Financial Services Manager
<b>Key Decision</b>	Yes
<b>Classification</b>	Open
<b>Forward Plan</b>	Reference number:
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. To note the gross revenue underspend on services of £829,000.</li> <li>2. To consider the revenue service rollovers of £571,660 and the setting up of new reserves as set out in Table 3 in Appendix I for approval.</li> <li>3. To consider the revenue service bids of £288,060, as set out in Table 4 in Appendix I for approval.</li> <li>4. To consider topping up the Performance Fund and the Regeneration Fund by £300,000 each and the Communities Fund by £75,000 from the General Fund and the Business Rates Volatility Reserve (for Regeneration Fund and Communities Fund).</li> <li>5. To delegate to the Chief Financial Officer the allocation of uncommitted underspends to reserve funds.</li> <li>6. To note the capital expenditure of £11,491,000, as detailed in paragraph 8 and Table 8 in Appendix I.</li> <li>7. To consider the capital rollovers of £2,027,970, as detailed in Table 8 in Appendix I for approval.</li> </ol>

## **1. Purpose of Report and Executive Summary**

- 1.1 This report sets out the revenue and capital outturn position for 2017/18.
- 1.2 Whilst the report refers to “underspends”, this actually consists of two quite separate issues; underspends against expenditure budgets, and additional income compared to budget. The net effect is an underspend against the agreed Council budget.
- 1.3 This report shows that once again the Council has been able to achieve a significant underspend in the year. With a well-known flightpath of reduced

funding into the medium term, the Council has once again pre-empted future funding reductions by restricting expenditure in year.

- 1.4 The outturn position needs to be seen in the context of the Council's medium term financial position, with Government funding continuing to decline and the Council being more dependent on its own resources. The scope of management efficiency savings and for savings on major contracts is also much reduced given the successful work to date. The rollover approach seeks to combine and continue to fund service initiatives and create funding sources to help us achieve a balanced budget position in the next two years. Balancing the budget therefore becomes much more about generating income, via business rates and New Homes Bonus in particular.
- 1.5 The headline figures are:
  - total revenue underspend of £829,000 including £1,917,000 of additional income – Tables 1 and 2 in Appendix I;
  - £571,660 revenue rollover requests from Heads of Service – Table 3 in Appendix I;
  - £288,060 revenue operational bid requests – Table 4 in Appendix I;
  - capital underspend of £595,000 – Table 8 in Appendix I; and
  - £2,027,970 rollover requests of capital underspends – Table 9 in Appendix I.
- 1.6 The Council's capital expenditure has increased very significantly; due to a much higher level of Disabled Facilities Grant and the commencement of Sittingbourne Town Centre construction phase. The capital rollovers relate to Disabled Facilities Grant and projects which had not commenced or funds had not been drawn down at 31 March.
- 1.7 The total of revenue rollover requests and bids is £860k which exceeds the revenue underspend of £829k.
- 1.8 In 2017/18 £1.1m was spent on services which had been agreed by Cabinet as rollovers in previous years and therefore were funded from approved reserves.

## **2. Background**

- 2.1 The Council operates a regular budget monitoring process at Head of Service level, with regular reports to the Cabinet Member for Finance & Performance and the Strategic Management Team.
- 2.2 Financial monitoring reports are presented to Cabinet on a quarterly basis, as well as to Scrutiny Committee.

## **3. Proposals**

### **Revenue Outturn**

- 3.1 Table 1 below details the service movements within the overall revenue outturn. The most significant movements are shown.

- 3.2 Table 2 below details the outturn position by service and Table 3 details the outturn position by directorate.
- 3.3 Table 1 in Appendix I shows the outturn position by service, with most services showing an underspend. The line-by-line variations are explained in Table 2 in Appendix I.
- 3.4 The revenue outturn underspend is £829,000. The last reported variance to Cabinet in March 2018 (to end of period 9 – December) was an underspend of £781,000. This represents a movement of £48,000.

**Table 1: Service Movements**

Service/Contract	Reason for Variance	Working Budget £'000	Year End Variance £'000
<b>Additional Income (brackets in variance mean additional income)</b>			
Homelessness	Homelessness Prevention Grant underspend	(18)	(29)
	New Burdens Grant underspend	(2)	(87)
Parking Management	Additional income from pay & display fees	(1,725)	(317)
	Additional income from parking permits and PCNs – on street parking	(118)	(76)
	Additional income from season ticket income	(59)	(16)
Beach Huts	Additional income	(8)	(12)
Seafront	Additional income – rents/memorials	(25)	(12)
Recycling & Waste Minimisation	Additional income from garden waste collections (brown bins)	(385)	(58)
Planning	Fees – additional planning income	(729)	(192)
Licensing	Licensing Income	(141)	(14)
Licensing	Taxi Licensing – net surplus	-	(14)
Planning	Local Plan – additional grants	-	(65)
Environmental Initiatives	Fixed penalty notices (FPNs) (offset by additional costs)	(16)	(77)
Housing – Stay Put Scheme	Disabled facilities grant fees	(61)	(73)
Housing Private Sector	Additional fees and charges	(7)	(27)
Property Management	Rental income	(345)	(84)
Refuse & Street Cleansing	Litter picking & refuse sales	(46)	(22)
	Bulky waste collections	(77)	(10)
Community Safety	Community budgets – complex needs grant offset by additional expenditure of £84k	-	(84)
Leisure	Central House utility costs recharge	-	(11)
Cemeteries	Internment Income	(113)	(36)
Democratic Services	Additional grant	-	(22)
External Legal Fees	Additional S106 fee income	(70)	(54)

<b>Service/Contract</b>	<b>Reason for Variance</b>	<b>Working Budget £'000</b>	<b>Year End Variance £'000</b>
Resident Services	Recovery of overpayment of Housing Benefits	(652)	(118)
Corporate	External Interest	(104)	(154)
<b>Loss of Income:</b>			
Land Charges	Loss of income (net)	(220)	35
<b>Other:</b>			
Net Income	Net additional income	-	(288)
<b>Total Net Income</b>		<b>-</b>	<b>(1,917)</b>
<b>Procurement/Shared Service Savings/Costs: (brackets in variance mean underspend)</b>			
Public Convenience	Public conveniences cleaning contract	255	(44)
Grounds Maintenance	Contract costs	1,282	(61)
Parks & Open Space	Grounds contract	28	84
Sheerness Gateway	Savings on KCC contract for fees and services	54	(37)
Leisure Services	Swale Community/SERCO Leisure contract savings on SCL operating fee (£27k), SERCO operating fee (£9k), utilities subsidy £12k), and other (£15k)	460	(63)
Street Cleansing	Contract savings	917	(32)
Planning	Reduced costs building control	78	(6)
Parking	Additional costs shared service	48	32
Parking	Additional contract costs	144	15
Planning	Additional costs shared service	192	22
Refuse & Recycling	Contract costs on waste contract	2,448	25
HR Shared Service	Reduced costs shared service due to refund from 2016/17.	254	(57)
Audit Shared Service	Additional costs shared service	157	10
Land Charges	Additional costs of shared service of £27k offset by £37k additional income from contribution from provisions	44	(10)
Legal Shared Service	Additional staff costs shared service (partly offset by additional external income)	-	64
IT Shared Service	Reduced costs shared service	406	(48)
IT Shared Service	Telephony savings	67	(15)
Environmental Health Shared Service	Additional savings shared service	416	(43)
Enforcement Service – Council Tax	Additional profit share shared service	(50)	(84)
<b>Total Procurement/Shared Service Savings/Costs</b>			<b>(248)</b>
<b>Additional Costs:</b>			
Homelessness	Net Bed and Breakfast Homelessness Houses	278	343
		-	10
Planning	Additional legal and planning specialists for planning appeals	-	77
Sittingbourne Town Centre	Cancellation of 2016/17 Sundry Debtor	-	82

<b>Service/Contract</b>	<b>Reason for Variance</b>	<b>Working Budget £'000</b>	<b>Year End Variance £'000</b>
Legal	External Legal Costs	49	97
Sittingbourne Master Plan	Consultancy fees re Sittingbourne Town Centre project.	-	59
Refuse Collection	Purchase of wheeled bins (net)	46	134
Environmental Initiatives	Fixed penalty notices – additional costs (see offsetting income above)	-	83
Community Safety	Support for community projects including Family Finance, Troubled Families and Youth work (offset by additional income as all expenditure funded from grants)	-	84
Property	Swale House – water rates	5	9
Property	Building Maintenance on a number of unplanned maintenance items including the heating of Swale House, roof repairs at the Health Living Centre and the bell tower at Bell Road cemetery	237	62
Corporate	Insurance	357	29
Parking	Car Parks – rates/water rates	211	12
	Cash security & licences	64	45
	Park & Ride	-	24
<b>Total Additional Costs</b>			<b>1,150</b>
<b>Underspends: (brackets in variance mean additional underspend)</b>			
Salaries	Net employee costs (incl. agency) (excludes Legal MKLS as included in net MKLS)	12,546	(72)
Community Halls and Centres	Alexander Centre grant	50	(50)
HR	Corporate training	101	(7)
Markets	Savings on rates	25	(17)
Arts Events & Activities	Remembrance & Commemoration	29	(14)
Corporate Items	Savings on finance lease	69	(13)
Council Tax	Recovery of council tax/housing benefit overpaid	-	(27)
Council Tax	External Audit / Bank Fees	88	(18)
IT shared services	Savings on computer maintenance & software	664	(19)
Chief Executive	Reduction in number of special projects	19	(12)
Public Conveniences	Savings on rates due to backdated rebate	23	(36)
Cemeteries	Savings on grounds maintenance – unfinished works on trees and unsafe monuments in closed churchyards	33	(19)
Printing	Savings on external printing/advertising and promotion	26	(25)
Parks & Open Spaces	Savings on equipment maintenance	35	(19)
Democratic Services	Members allowances	415	(29)
<b>Total Underspends</b>			<b>(377)</b>

Service/Contract	Reason for Variance	Working Budget £'000	Year End Variance £'000
<b>Total Variance</b>			<b>(1,392)</b>
<b>Movement on reserves (see Corporate Items Table 2 in Appendix I)</b>			<b>683</b>
<b>Other Net Underspends</b>			<b>(120)</b>
<b>Net Total Variance</b>			<b>(829)</b>

**Table 2: Projected Variance by Service**

	<b>Service Manager</b>	<b>Working Budget £</b>	<b>Outturn 2017/18 £</b>	<b>Variance £</b>
Chief Executive	M. Radford	390,180	370,464	(19,716)
Policy	D. Clifford	218,310	205,802	(12,508)
Economy & Communities	C. Hudson	2,412,060	2,220,789	(191,271)
Communications	S. Toal	291,150	277,009	(14,141)
Resident Services	A. Christou	1,132,170	1,073,092	(59,078)
Planning	J. Freeman	958,040	968,622	10,582
Commissioning & Customer Contact	M. Cassell	5,727,700	5,073,346	(654,354)
Director of Corporate Services & Director of Regeneration	Vacant/E. Wiggins	369,480	224,839	(144,641)
Licensing	D. Fackrell	(33,630)	(78,246)	(44,616)
Emergency Planning	D. Fackrell	82,570	84,206	1,636
Information Technology	C. Woodward	1,201,180	1,119,947	(81,233)
Audit	R. Clarke	164,380	174,817	10,437
Environmental Health	T. Beattie	547,250	492,279	(54,971)
Finance	N. Vickers	778,770	769,470	(9,300)
Human Resources	B. Sandher	381,000	314,394	(66,606)
Legal	P. Narebor	437,490	545,104	107,614
Democratic Services	K. Bescoby	970,260	943,747	(26,513)
Property	A. Adams	599,700	563,086	(36,614)
Sittingbourne Regeneration	E. Wiggins	0	142,285	142,285
Corporate Items	N. Vickers	1,493,940	1,808,006	314,066
<b>NET REVENUE SERVICE EXPENDITURE</b>		<b>18,122,000</b>	<b>17,293,058</b>	<b>(828,942)</b>
<b>Financed by:</b>				
Revenue Support Grant		(1,238,000)	(1,238,108)	(108)
Business Rates		(6,416,000)	(6,416,000)	0
New Homes Bonus		(2,743,000)	(2,742,330)	670
Collection Fund Surplus		(140,000)	(140,400)	(400)
Council Tax Requirement		(7,469,000)	(7,469,046)	(46)
<b>TOTAL FINANCING</b>		<b>(18,006,000)</b>	<b>(18,005,884)</b>	<b>116</b>
<b>NET EXPENDITURE</b>		<b>116,000</b>	<b>(712,826)</b>	<b>(828,826)</b>

**Table 3: Projected Variance by Directorate**

	<b>Working Budget £</b>	<b>Outturn £</b>	<b>Variance £</b>
Chief Executive	390,180	370,464	(19,716)
Mid Kent Services	2,731,300	2,646,541	(84,759)
Commissioning & Customer Services	5,727,700	5,073,346	(654,354)
Policy & Performance	218,310	205,802	(12,508)
Corporate Services	4,261,090	4,457,393	196,303
Regeneration	4,793,420	4,539,512	(253,908)
<b>NET REVENUE SERVICE EXPENDITURE</b>	<b>18,122,000</b>	<b>17,293,058</b>	<b>(828,942)</b>

#### **4. Proposed Revenue Rollovers**

4.1 The use of rollovers is critical for the overall financial management of the Council. Their proposed use falls into two main categories:

- Service requests for rollovers at an operational level (Table 3 Appendix I). These total £571,660;
- Bids linked to the Council's priorities and the topping-up of specific reserve funds (Table 4 Appendix I). These total £288,060.

4.2 The rollovers will be funded from the 2017/18 underspend and the General Fund as required.

#### **5. Business Rates**

5.1 In total the Council collected £47.8m of business rates in 2017/18. After the complicated system of levies and tariffs has been accounted for, the Council received £9.1m.

5.2 Council has previously agreed to the establishment of a Business Rates Volatility Reserve, in order to assist the Council in managing the anticipated volatility in business rate income resulting from the introduction of business rate localisation from 2013/14. In 2017/18 this reserve increased by £2.1m due to the Council's share of the 2016/17 surplus on the collection fund of £1m, income from the Kent Pool of £600k, additional income of £300k from renewable energy business rates and other income of £200k; as a result of the underspend on the general fund the original contribution from this reserve to revenue of £255k was not required. There was also an increase in the Kent Pool economic growth reserve which is shared with KCC to be spent in the Borough of £600k.

5.3 As previously commented on the Council has benefitted very significantly from the localisation of business rates. However, we should bear in mind the resetting of business rates in April 2020 which could take away the benefits moving forward.



## 6. Improvement and Regeneration Funds

6.1 Table 4 below details the outturn position on a number of reserve funds.

**Table 4: Improvement and Regeneration Funds**

	Balance as at 1 April 2017	Transfers from reserve (Expenditure) in year	Transfers to reserve (Income) in year	Balance as at March 2018	Balance unallocated as at 31 March 2018
<b>Funds:</b>	£	£	£	£	£
Performance	534,218	(371,810)	153,726	316,134	38,685
Regeneration	686,846	(337,122)	0	349,724	98,494
Communities	115,654	(4,287)	0	111,367	70,981
Pension & Redundancy	205,142	0	0	205,142	205,142
Local Loan Fund	200,000	0	0	200,000	200,000
<b>TOTAL</b>	<b>1,741,860</b>	<b>(713,219)</b>	<b>153,726</b>	<b>1,182,367</b>	<b>613,302</b>

6.2 Table 5 of Appendix I details the allocations from the above funds during 2017/18.

6.3 It is proposed that the Council tops up the Performance Fund and the Regeneration Fund by £300k each and the Communities Fund by £75,000 from the General Fund and the Business Rates Volatility Reserve in 2018/19 (for Regeneration Fund and Communities Fund).

## 7. Usable Reserves

7.1 Table 5 below summarises the usable reserves balance as at 31 March 2018.

**Table 5: Usable Reserves**

	Balance as at 1 April 2017	Transfers from reserve in year	Transfers to reserve in year	Balance as at March 2018
<b>Reserve:</b>	£'000	£'000	£'000	£'000
Total Earmarked Revenue Reserves	11,261	(2,377)	4,890	13,774
General Fund	4,874	(179)	0	4,695
Capital Grants Unapplied	306	(44)	64	326
Usable Capital Receipts Reserve	986	(77)	172	1,081
<b>TOTAL</b>	<b>17,427</b>	<b>(2,677)</b>	<b>5,126</b>	<b>19,876</b>

7.2 Table 6 of Appendix I details the earmarked revenue reserves as at 31 March 2018.

## 8. Capital Expenditure

- 8.1 This section of the report details actual capital expenditure and highlights any variations between the revised 2017/18 capital budget and the outturn.
- 8.2 Actual expenditure to end of March 2018 is £11,491,444. This represents 95% of the revised budget. There remains an underspend of £594,785. Further details are set out in Table 9 of Appendix I.
- 8.3 Table 6 below summarises the capital underspend of £594,785 which includes £7.8m of overspends and £2.4m of underspends. The overspend is mainly as a result of the Sittingbourne Town Centre project (£1.6m). Although overspent in 2017/18 this is as a result of phasing and overall the total cost will be within budget.

**Table 6: Capital Programme Expenditure (Refer to Appendix I)**

	<b>2017/18 Revised Budget</b>	<b>2017/18 Outturn</b>	<b>2017/18 Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Economy & Communities	7,698	8,855	1,157
Commissioning & Customer Contact	251	216	(35)
Environmental Services MKS	77	21	(56)
Finance	83	67	(16)
Resident Services	92	44	(48)
<b>Total SBC funded</b>	<b>8,201</b>	<b>9,203</b>	<b>1,002</b>
<b>Total Partnership funded</b>	<b>3,885</b>	<b>2,288</b>	<b>(1,597)</b>
<b>Total Capital Programme</b>	<b>12,086</b>	<b>11,491</b>	<b>(595)</b>
<b>% Spent to date compared to Revised Budget</b>		<b>95 %</b>	

- 8.4 Heads of Service have submitted a number of capital rollover requests totalling £2,027,970 to be spent in 2018/19 to be released from the underspend of 2017/18. The requests are listed in Table 9 Appendix I, with an explanation provided by the service manager. Of these requests, £1,368,230 is linked with partnership funding as explained in the notes, leaving £659,740 to be met from internal resources. The largest items of rollover are:
- Disabled Facilities Grant - £1,170,000
  - Easthall Farm Community Centre £158,000
  - Sittingbourne Skate Park £219,000
  - Faversham Creek Basin Regeneration Project (Swing Bridge) £200,000
  - Minster Leas Promenade Resurfacing £85,000

## 9. Funding of the 2017/18 Capital Programme

9.1 The 2017/18 capital programme expenditure of £11,491,444 was funded as set out in Table 7.

**Table 7: Capital Programme Funding**

	<b>2017/18 Outturn</b>
	<b>£'000</b>
Capital grants and other contributions	2,904
Capital receipts	70
Earmarked reserves	241
Internal borrowing	8,276
<b>Total Capital Funding</b>	<b>11,491</b>

9.2 The funding of the Sittingbourne Town Centre Project, the Retail, early phase highway works and the Multi Storey Car Park will be funded from internal borrowing. Officers are working with Arlingclose the Council's treasury adviser, to develop an optimised long-term financing strategy.

9.3 Capital receipts from sale of assets in 2017/18 were £82,000. Capital receipts from repayment of grants and loans were £90,000.

## 10. Payment of Creditors

10.1 The outturn for payment of creditors for 2017/18 was 99% against the target of 97%.

## 11. Debtors

11.1 Tables 8 and 9 below analyse the debt outstanding. The total over two months of £339k includes £53k relating to S106, NHS grants £44k and £112k relating to one company. To the end of April £146k has been paid.

**Table 8: Debt outstanding by due date**

	<b>March 2018 £'000</b>	<b>March 2017 £'000</b>	<b>January 2018 £'000</b>
Not Due	1,124	667	168
1-2 Months	57	38	505
2-6 months	141	43	51
6-12 months	81	53	52
1-2 years	21	25	24
2-3 years	23	39	29
3-4 years	28	26	18
4-5 years	7	5	7
5-6 years	2	7	1
6 years +	36	39	36
<b>Total</b>	<b>1,520</b>	<b>942</b>	<b>891</b>
<b>Total over two months</b>	<b>339</b>	<b>237</b>	<b>218</b>
<b>% Total over two months</b>	<b>22%</b>	<b>25%</b>	<b>24%</b>

**Table 9: Debt outstanding by Head of Service**

	<b>March 2018 £'000</b>	<b>March 2017 £'000</b>	<b>January 2018 £'000</b>
Commissioning & Customer Contact	113	93	54
Property	197	176	140
Residents Services	188	139	169
Legal (MKLS)	390	1	116
Economy & Communities	13	112	14
Planning	8	39	0
Regeneration	58	0	0
Communications	3	3	0
Environmental Health	1	2	1
Policy	1	21	0
Other	548	356	397
<b>Total</b>	<b>1,520</b>	<b>942</b>	<b>891</b>

11.2 It should be noted that the number of debts raised is increasing as we are now required to formally raise debts for all of our grants receivable from Kent County Council, the NHS etc.

11.3 The total debt for Property of £197,000 includes £112,000 relating to one company. The total debt for Other includes £269k debt not due relating to S106 income i.e. income due from developers relating to planning agreements, and £254k external grant from Kent County Council.

11.4 The debt over six years old relates to charges on property, i.e. where the debt cannot be collected until the property concerned is sold.

## **12. Alternative Options**

12.1 None identified – this report is largely for information.

## **13. Consultation Undertaken or Proposed**

13.1 Heads of Service and Strategic Management Team have been consulted in preparing this report.

## **14. Implications**

<b>Issue</b>	<b>Implications</b>
Corporate Plan	Good financial management is key to achieving our Corporate Plan priority of being “A council to be proud of”
Financial, Resource and Property	As detailed in the report
Legal and Statutory	None identified at this stage
Crime and Disorder	None identified at this stage
Environmental Sustainability	None identified at this stage
Health & Wellbeing	None identified at this stage
Risk Management and Health and Safety	None identified at this stage
Equality and Diversity	None identified at this stage
Privacy and Data Protection	None identified at this stage

## **15. Appendices**

15.1 The following documents are published with this report and form part of the report:

Appendix I: Financial Outturn 2017/18

## **16. Background Papers**

16.1 The Budget 2017/18 and Medium Term Financial Strategy 2017/18 to 2019/20.