

<b>Cabinet</b>	<b>Agenda Item:</b>
<b>Meeting Date</b>	8 July 2020
<b>Report Title</b>	Financial Management Report – Outturn 2019/20
<b>Cabinet Member</b>	Cllr Roger Truelove, Leader and Cabinet Member for Finance
<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 and Caroline Frampton, Principal Accountant
<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 revenue underspend of £64,188.</li> <li>2. To note the revenue service rollovers of £190,630 and the setting up of new reserves as set out in in Appendix I Table 9.</li> <li>3. To note that any uninsured losses regarding the roof replacement at the Swallows Leisure Centre will be met from borrowing in 2020/21.</li> <li>4. To delegate to the Chief Financial Officer the allocation of uncommitted underspends to reserve funds.</li> <li>5. To note the capital underspend of £4,937,473 and expenditure of £19,097,577 as detailed in paragraph 3.19 and Appendix I Table 12.</li> <li>6. To consider the capital rollovers of £5,263,936 as detailed in Appendix I Table 13 for approval.</li> </ol>

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

- 1.1 This report sets out the revenue and capital outturn position for 2019/20. The report is based on service activity for the whole of 2019/20 and is collated from monitoring returns from budget managers.
- 1.2 On 3 June we reported to Cabinet on the projected impact on the Council's finances of the Coronavirus pandemic. This has huge impact on the finances of the Council and there is an impact on this report. In previous years, a permissive approach has been taken to rollover requests but unfortunately this is no longer possible. Given that the rollovers will have to come from Reserves which are being prioritised for member priorities, rollover requests cannot be agreed except where the funding of the rollover is linked to a specific item of funding or a previous Cabinet decision.

1.3 The purpose of the report is to compare the actual spend and income incurred in 2019/20 to the budget originally approved by members at Council in February 2019 and subsequent amendments by virements, Cabinet or made under delegated authority during the year. Robust budget monitoring is a key part of effective internal financial control, and therefore is one of the elements underpinning good corporate governance. Appendix I is a booklet providing a detailed analysis of budget variations for each service and for each capital project.

1.4 The headline figures are:

- total revenue underspend of £64,188 - Table 8 in Appendix I;
- £190,630 revenue rollover requests from Heads of Service – Table 9 in Appendix I;
- capital underspend of £4,937,473 – Table 12 in Appendix I; and,
- £5,263,936 rollover requests of capital underspends – Table 13 in Appendix I.

## **2. Background**

2.1 The Council operates a budget monitoring process at Head of Service level, with regular reports to the Leader and Cabinet Member for Finance 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 The last monitoring report to Cabinet was on 18 March covering April to December and the net revenue service expenditure was a forecast underspend of £33,000 and the equivalent outturn figure shown in Table 2 is an underspend of £64,188, which represents a movement of £31,188 on a budget of £18.969 million. Table 1 below details the significant movements and is based on Table 8 in Appendix I.

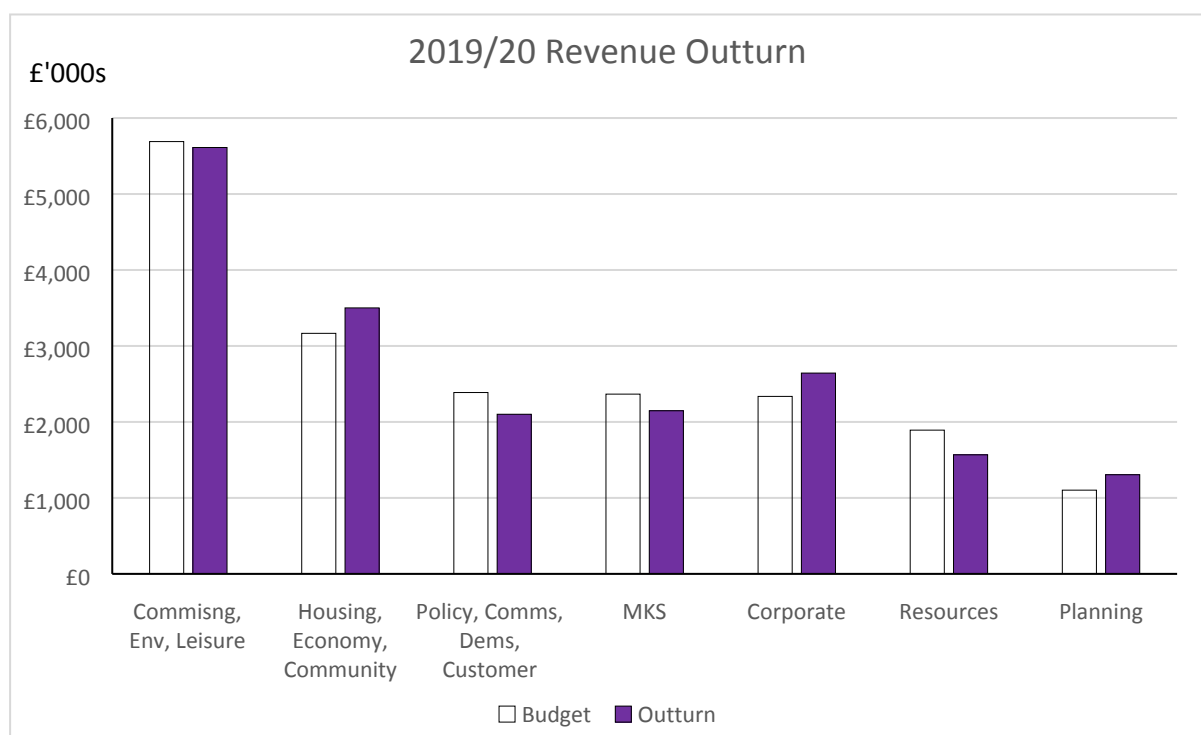
3.2 There was a significant fall in the net cost of homelessness from the last monitoring forecast which was mainly due to the efforts of the Housing team in securing Nightly Lets and Optivo accommodation at a lower cost than forecast, (£26k and £44k reductions respectively) and a higher amount of Housing Benefit claims over the last three months than forecast, (£73k), with these reductions slightly offset by £29k costs unrecoverable from housing benefit due to their being over the benefit cap.

3.3 £192k for additional consultancy costs were incurred for defending two public enquiries on planning applications and extended determination periods for handling major planning applications and have been met from reserves.

**Table 1 – Net Revenue Service Expenditure - Movement from April to December Forecast to Outturn**

<b>Net Revenue Service Expenditure</b>	<b>£'000</b>
<b>Variance reported to Cabinet 18 March 2020 for April to December</b>	<b>(33)</b>
Homelessness – reduction in projected overspend (paragraph 3.2)	(114)
Elections – contribution from KCC towards SBC costs	(44)
Democratic Process – Members’ allowances and travel	(14)
Customer Service Centre – Sheppey Gateway – lower than expected contract costs	(37)
Car Parks – reduced income	64
Multi Storey Car Park – additional costs	69
Planning – reduced planning fee income	50
Planning – additional Planning Performance Agreement and pre-application advice income	(19)
Leisure & Sports Centres – mainly higher utility costs	103
Environment Health – net reduced costs on shared services	(62)
ICT – additional expenditure on Mid Kent ICT services	30
Audit – reduced costs on Mid Kent Audit services	(14)
Human Resources – reduced costs on Mid Kent services	(34)
Net other items	(9)
<b>Variance reported to Cabinet for 2019/20 Outturn</b>	<b>(64)</b>

**Chart 1 - Performance Against Budget Analysed by Service**



**Table 2- Projected Variance by Service**

	Service Manager	Working Budget £	Outturn 2019/20 £	Outturn Variance £
Chief Executive		331,280	251,118	(80,162)
Policy, Communications & Customer Services	D. Clifford	1,228,400	1,094,752	(133,648)
Democratic Services	D. Clifford	1,158,670	1,006,651	(152,019)
Director of Regeneration	E. Wiggins	185,460	180,862	(4,598)
Housing, Economy & Community Services	C. Hudson	3,165,720	3,501,394	335,674
Planning	J. Freeman	1,102,470	1,304,946	202,476
Commissioning, Environment & Leisure	M. Cassell	5,689,990	5,611,967	(78,023)
Finance	N. Vickers	771,620	736,223	(35,397)
Revenues & Benefits	Z. Kent	(191,620)	(354,422)	(162,802)
Property	A. Adams	671,800	676,636	4,836
Licensing & Resilience	D. Fackrell	47,000	(2,027)	(49,027)
Environmental Health	T. Beattie	593,320	510,483	(82,837)
Information Technology	C. Woodward	1,223,000	1,100,355	(122,645)
Internal Audit	R. Clarke	191,180	175,141	(16,039)
Human Resources	B. Sandher	444,690	403,018	(41,672)
Legal	P. Narebor	507,590	468,088	(39,502)
Sittingbourne Regeneration	N. Vickers	0	157,013	157,013
Princes Street Retail Park	N. Vickers	(230,000)	(435,430)	(205,430)
Specific rollovers contribution to Reserves from services shown above	N. Vickers	0	367,000	367,000
Corporate Items	N. Vickers	2,049,510	2,122,047	72,537
<b>NET REVENUE SERVICE EXPENDITURE</b>		<b>18,940,080</b>	<b>18,875,815</b>	<b>(64,265)</b>
<b>Financed by:</b>				
Revenue Support Grant		(113,000)	(113,144)	(144)
Business Rates		(8,333,380)	(8,333,380)	0
New Homes Bonus		(1,875,000)	(1,874,725)	275
Council Tax Requirement		(8,257,700)	(8,257,754)	(54)
<b>TOTAL FINANCING</b>		<b>(18,579,080)</b>	<b>(18,579,003)</b>	<b>77</b>
<b>NET EXPENDITURE (Transfer (to)/ from General Fund</b>		<b>361,000</b>	<b>296,812</b>	<b>(64,188)</b>

**Proposed Revenue Rollovers and General Fund**

3.4 Rollovers can be either be service requests arising because not all the budget on a particular project had been spent in the year, or service bids linked to the Council's priorities, or for ringfenced reserves to comply with statute or due to a previous Cabinet decision.

3.5 A number of rollovers have already been made to comply with statute and previous Cabinet decisions which total £367,000. The revenue underspend of £64k (Table 2 above) includes these rollovers and they are detailed below:

<b>Service</b>	<b>Description</b>	<b>£'000s</b>
Revenues and Benefits	The net saving has been transferred to the Revenues and Benefits reserve.	(179)
IT Maintenance and Software	The saving has been transferred to the IT reserve to be used solely to fund IT related expenditure in future years.	(132)
Parking Management	The surplus relating to on-street parking has been transferred to the on-street parking reserve under Section 55 of the Road Traffic Act 1984.	(67)
Environmental Response Team	Section 96 of the Clean Neighbourhoods and Environment Act of 2005 advised that income must be spent on "qualifying functions". The surplus has been transferred to the reserve.	(22)
Local Planning & Conservation	The underspend on the local plan has been transferred to the reserve to be used solely to fund Local Plan associated work in accordance with previous Cabinet decisions.	(12)
Licensing	A net overspend on Hackney Carriage licences and other licences has been transferred to the ring-fenced reserve under the Local Government Act 1976. This reserve is to be used to fund Licensing related expenditure in future years.	10
Building Maintenance	The variance on building maintenance has been met from the reserve.	35
<b>Total</b>		<b>(367)</b>

3.6 Table 9 in Appendix I lists rollovers which have not yet been made and are service requests for rollovers at an operational level. These total £190,630.

3.7 The General Fund is shown below. The Council's policy is to maintain a balance of at least £1.5m in the General Fund.

**Table 3: General Fund Balance**

	<b>£'000s</b>
General Fund balance at 1 April 2019	(4,358)
2018/19 rollovers approved by Cabinet in July 2019	723
2019/20 net expenditure (Table 2)	297
<b>General Fund Balance</b>	<b>(3,338)</b>

### **Business Rates**

3.8 From 1 April 2013 business rates were part localised. Given the large growth in business rates in the borough this has been hugely positive for the Council's finances. The Council is in a business rates pool with KCC, 10 other borough/district councils and the Fire Authority. The pool enables business

rates which would otherwise be passed to Central Government to be retained in the county. Under the arrangement the borough/district, KCC and a joint fund received 30% each and 10% went into a reserve.

3.9 In total the Council collected £53m of business rates in 2019/20. After the complicated system of levies and tariffs has been accounted for, the Council received £10m.

3.10 There was a net reduction in the business rates reserves by £871k in 2019/20:

- £992k reduction in the Business Rates Volatility Reserve. This was a result of £1m contribution to the Special Projects, £250k budgeted contribution to the General Fund offset by net additional business rates of £258k.
- £758k reduction in the Kent Pool Economic Development Business Rates Reserve. This was the result of £215k for the Visitor Economy Framework for 2018-2023; £250k for the Isle of Sheppey Lower Road; £800k for Corporate Priorities; £250k for the Heritage Strategy and £757k increase from business rates. This reserve was established as a result of the Council joining the Kent business rates pool in 2015/16. It is to fund economic development as agreed by the Council and KCC.
- £860k increase in the North Kent Housing and Commercial Growth Business Rates Fund. This was the result of a revised allocation of the final figures from 2018/19. For 2018/19 the Council was part of a Kent wide business rate pilot 100% localisation which included the setting up of this fund. There is a 'bidding process' set-up to enable authorities across North Kent, including Kent County Council (KCC), to present potential initiatives to the North Kent Leaders and the appropriate representative from the County Council for approval. The stated purpose of the fund is to support future delivery, where outcomes can be better achieved by local authorities working together across a wider area. This fund is to be used to fund borrowing to support affordable housing projects.

3.11 At 31 March 2020 the balances on the business rates reserves were as follows:

- £3.9m Business Rates Volatility Reserve
- £1.3m Kent Pool Economic Development Business Rates Reserve
- £1.7m North Kent Housing and Commercial Growth Business Rates Fund

3.12 The actual amount of business rates collected can be affected by a wide range of variables including new businesses opening, existing businesses growing, closure of businesses, rating appeals and collection rates.

3.13 The Business Rates Collection Fund has set aside £10m for appeals, of which the Council's share is £4m. In July 2019 the Council was notified of a

successful business rate appeal by Morrisons for their major warehouse on the 2010 rating list. The one-off cost charged to the provision for appeals was £2.5m and the ongoing impact is a £400k reduction in business rates income. However, the effect on future years' business rates income has been offset to an extent as a result of a change in the methodology used for calculating the cost of potential appeals for the 2017 rating list.

### Improvement and Regeneration Funds

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

**Table 4: Improvement and Regeneration Funds**

	Balance as at 1 April 2019	Transfers from reserve (Expenditure) in year	Transfers to reserve (Income) in year	Balance as at 31 March 2020	Balance unallocated as at 31 March 2020
<b>Funds:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Special Projects	0	(171)	1,135	964	37
Performance	494	(62)	0	432	199
Communities	122	(67)	501	556	383
Pension & Redundancy	86	(7)	15	94	94
Regeneration	437	(285)	0	152	0
Local Loan Fund	175	0	0	175	175
<b>TOTAL</b>	<b>1,314</b>	<b>(592)</b>	<b>1,651</b>	<b>2,373</b>	<b>888</b>

3.15 Table 11 in appendix I details the allocations from the above funds during 2019/20.

### Usable Reserves

3.16 Table 5 below summarises the usable reserves balance as at 31 March 2020.

**Table 5: Usable Reserves**

<b>Reserve:</b>	Balance as at 1 April 2019	Transfers from reserve in year	Transfers to reserve in year	Balance as at 31 March 2020
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Total Earmarked Revenue Reserves	(17,831)	6,215	(6,731)	(18,347)
General Fund	(4,358)	1,020	0	(3,338)
Capital Grants Unapplied	(329)	10	(90)	(409)
Usable Capital Receipts	(1,365)	297	(291)	(1,359)
<b>TOTAL</b>	<b>(23,883)</b>	<b>7,542</b>	<b>(7,112)</b>	<b>(23,453)</b>

3.17 Table 10 in appendix I details the earmarked revenue reserves as at 31 March 2020.

## Capital Expenditure

3.18 This section of the report details actual capital expenditure and highlights any variations between the revised 2019/20 capital budget and the outturn.

3.19 Actual expenditure to end of March 2020 was £19,097,577. This represents 79% of the revised budget. There remains an underspend of £4,937,473. Further details are set out in Table 12 of Appendix I.

3.20 Table 6 below summarises the capital underspend of £4,937,473.

**Table 6: Capital Programme Expenditure**

	<b>2019/20 Revised Budget</b>	<b>2019/20 Outturn</b>	<b>2019/20 Outturn Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Housing, Economy & Community Services	19,624	15,894	(3,730)
Commissioning, Environment & Leisure	4,151	2,928	(1,223)
Property Services	20	61	41
Environmental Health	49	64	15
Finance	98	98	0
Information Technology	93	53	(40)
<b>Total SBC funded</b>	<b>18,472</b>	<b>16,152</b>	<b>(2,320)</b>
<b>Total Partnership funded</b>	<b>5,563</b>	<b>2,946</b>	<b>(2,617)</b>
<b>Total Capital Programme</b>	<b>24,035</b>	<b>19,098</b>	<b>(4,937)</b>
<b>% Spent to date compared to Revised Budget</b>		<b>79%</b>	

3.21 Heads of Service have submitted a number of capital rollover requests totalling £5,263,936 to be spent in 2020/21 to be released from the underspend of 2019/20. The requests are listed in Table 13 Appendix I, with an explanation provided by the service manager. Of these requests, £2,380,552 is linked with partnership funding, as explained in the notes, leaving £2,883,384 to be met from internal resources. The largest items of rollover are:

- Disabled Facilities Grant (external funding) - £1,927,533
- Sittingbourne Regeneration - £1,581,302
- Leisure Centres - £293,847
- Open Spaces S106 Play Equipment £226,000

## Funding of the 2019/20 Capital Programme

3.22 The 2019/20 capital programme expenditure of £19,097,577 was funded as set out in Table 7 below.



**Table 7: Capital Programme Funding**

	<b>2019/20 Outturn</b>
	<b>£'000</b>
Capital grants and other contributions	3,098
Capital receipts	298
Earmarked reserves	873
Borrowing	14,829
<b>Total Capital Funding</b>	<b>19,098</b>

- 3.23 The Sittingbourne Town Centre Project and Leisure Centres are being funded from borrowing. The Council’s borrowing strategy was set out in the Treasury Management Report to Cabinet in February.
- 3.24 CCTV Control Centre – this is being funded from internal borrowing to be repaid by setting aside revenue savings.
- 3.25 Capital receipts from sale of assets in 2019/20 were £172k. Capital receipts from repayment of grants and loans were £119k.
- 3.26 In February the Swallows Leisure Centre roof was severely damaged by high winds in a storm. Due to the age of the roof there is very limited insurance coverage. A tender process has been undertaken by appointed specialist advisers and the tenders are still being evaluated. It is expected that the full repairs will cost in the range £800,000 to £1m. This will be funded by borrowing.

**Payment of Creditors**

- 3.27 For 2019/20, 98% of invoices from suppliers were paid within 30 days of receipt of invoice, against the target of 97%.

**Sundry Debtors**

- 3.28 Tables 14.1 and 14.2 in Appendix I analyse the sundry debt outstanding.

**4. Alternative Options**

- 4.1 None identified – this report is largely for information.

**5. Consultation Undertaken or Proposed**

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

**6. Implications**

Issue	Implications
Corporate Plan	Good financial management is key to supporting the Corporate Plan objectives.

<b>Issue</b>	<b>Implications</b>
Financial, Resource and Property	As detailed in the report
Legal and Statutory	The outturn report is not a statutory requirement but it is a requirement of the Council's Financial Regulations.
Crime and Disorder	None identified at this stage.
Environmental Sustainability	The report identifies a wide range of expenditure headings which support the Council's Climate and Emergency Action Plan.
Health & Wellbeing	None identified at this stage.
Risk Management and Health and Safety	The Council's overall financial position is a key risk in the Council's Corporate Risk Register.
Equality and Diversity	None identified at this stage.
Privacy and Data Protection	None identified at this stage.

## **7. Appendices**

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

- Appendix I: Financial Outturn Report 2019/20

## **8. Background Papers**

8.1 [Cabinet Medium Term Financial Plan and Budget 2019/20](#)