

<b>Cabinet</b>	<b>Agenda Item:</b>
<b>Meeting Date</b>	<b>12 July 2017</b>
<b>Report Title</b>	<b>Financial Outturn Report 2016/17</b>
<b>Cabinet Member</b>	<b>Cllr Duncan Dewar-Whalley, Cabinet Member for Finance &amp; Performance</b>
<b>SMT Lead</b>	<b>Nick Vickers, Chief Financial Officer</b>
<b>Head of Service</b>	<b>Nick Vickers, Chief Financial Officer</b>
<b>Lead Officer</b>	<b>Phil Wilson, Financial Services Manager</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Classification</b>	<b>Open</b>
<b>Forward Plan</b>	<b>Reference number:</b>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. To note the gross revenue underspend on services of £1,419,100 (including £1,272,000 additional income).</li> <li>2. To consider the revenue service rollovers of £494,290, (including £241,390 due to roll forward of external funding, grants and use of additional income from 2016/17), and the setting up of new reserves as set out in Table 3 Appendix I for approval.</li> <li>3. To consider the revenue service bids of £248,100, as set out in Table 4 Appendix I for approval.</li> <li>4. To delegate to the Chief Financial Officer the allocation of uncommitted underspends to reserve funds.</li> <li>5. To consider the capital rollovers of £1,875,853, as detailed in Table 9 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 2016/17.
- 1.2 Whilst the report refers to “underspends”, this actually consists of two quite separate issues; genuine underspends against expenditure budgets, and additional income. 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. This is primarily due to the higher income which accounts for 90% of the £1.419m underspend and additional costs of £1.019m being offset by contract savings and underspends. 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, as set out in the February Council budget report. The Council currently has a funding gap of £1,325,000 in 2018/19, and £1,775,000 in 2019/20. 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 £1,419,100;
  - £494,2900 bid requests from Heads of Service – Table 3 in Appendix I;
  - £248,100 rollover requests of operational underspends – Table 4 in Appendix I; and
  - capital underspend of £1,703,299.
- 1.6 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 detailed outturn statements are detailed in Tables 1 and 2 in Appendix I.

## **2. Background**

- 2.1 The Council operates a monthly budget monitoring process at Head of Service level, with reports each month to 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 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.
- 3.2 There are a number of service movements within the overall revenue outturn, and the most significant of these are summarised below in Table 1.

**Table 1: Service Movements**

Service/Contract	Reason for Variance	Working Budget	Year End Variance
		£'000	£'000
<b>Additional Income – Fees &amp; Charges set by SBC:</b>			
Parking Management	Additional income from pay & display fees	(1,615)	(444)
	Offset by net overpayments (reduced income)	(60)	40
	Parking Permits	(97)	(35)
	Additional income from season ticket income	(50)	(16)
Legal (MKLS)	Additional income from S106 fees	(29)	(83)
Recycling & Waste Minimisation	Additional income from garden waste collections (brown bins)	(368)	(39)
Refuse Collection	Bulky Waste Collection	(57)	(37)
Highways	Street Naming & Numbering additional income	(15)	(21)
Seafront	Beach huts	(8)	(7)
	Memorials	(1)	(4)
Cemeteries and Closed Churchyards	Additional income	(115)	(3)
Licensing	Additional income	(205)	(12)
Other	Additional income	-	(15)
<b>Other Income:</b>			
Planning	Fees – Additional planning income	(672)	(293)
Corporate Items	Additional external investment interest income	(93)	(161)
Property Management	Rental income	(381)	(85)
Environmental Services	Fixed Penalty Notices (net)	(3)	(53)
Parking	Penalty Charge Notices	(473)	(46)
Refuse Collection/ Street Cleansing / Public Conveniences	Special collections and sale of litter bins	(25)	(17)
Council Tax	MKS Recovery Service	-	(37)
Policy	Sustainable Sheppey – additional grant	-	(16)
<b>Loss Income - Fees &amp; Charges set by SBC:</b>			
Planning	S106 Monitoring Fees	(65)	39
Land Charges	Loss of income	(221)	34
Planning	Pre-application advice	(60)	28
Refuse Collection/Street Cleansing	Sale of residential wheeled bins	(21)	11
<b>Total Net Income</b>			<b>(1,272)</b>

<b>Service/Contract</b>	<b>Reason for Variance</b>	<b>Working Budget £'000</b>	<b>Year End Variance £'000</b>
<b>Procurement/Shared Service Savings:</b>			
Refuse Collection/ Street Cleansing	Refuse/Street Cleansing/Public Conveniences Contracts	3,551	(162)
Housing Benefits	Fraud Partnership Service	93	(77)
Leisure, sports, open spaces, parks, countryside and allotments	Net Contract Savings	692	(68)
Grounds Maintenance	Contract Savings	1,241	(65)
Customer Service Centre	KCC contract	54	(37)
IT/GIS MKS	Reduced Shared Service Costs	464	(27)
Planning/land charges MKS	Net reduced MKS Costs	348	(17)
Environmental Health Shared Service	Reduced charges from partners and additional income	516	(15)
HR Shared Service	Savings on shared service with Maidstone	254	(6)
Audit Shared Service	Savings on shared service with Maidstone	157	(1)
Legal MKLS	Additional costs to SBC	(1,040)	44
Other		-	19
<b>Total Procurement/Shared Service Savings</b>			<b>(412)</b>
<b>Additional Costs:</b>			
Homelessness	Net Bed and Breakfast budget	111	473
Corporate	Minimum Revenue Provision	393	105
Housing Benefit & Council Tax Collection	Academy Recovery – Bad Debt	(653)	79
Refuse Collection	Purchased of wheeled bins	62	75
Legal	External Legal Fees	35	70
Planning	Court Costs & Appeal Costs	44	85
Property Management	Rates on empty depot	-	34
Parking	Grounds Maintenance	12	17
HR	Lump Sum Regular User	-	12
Parking	Road Lining/Road Signs	2	2
Street Cleansing	Clean Kent overspend	5	10
Corporate	Sittingbourne Master Plan – Legal Costs	-	30
Parking	Park & Ride	-	8
IT Clientside	Telephony costs	-	19
<b>Total Additional Costs</b>			<b>1,019</b>

<b>Service/Contract</b>	<b>Reason for Variance</b>	<b>Working Budget £'000</b>	<b>Year End Variance £'000</b>
<b>Underspends:</b>			
Local Planning & Conservation	Local Plan	151	(107)
Property	Building Maintenance	318	(95)
Salaries	Net Employee Costs (variance represents 0.6% of budget)	12,830	(79)
Cemeteries & Closed Churchyards	Grounds Maintenance	67	(41)
Refuse/Street Cleansing	Waste Recycling Campaign	106	(66)
Housing Benefit & Council Tax	Net Benefits	203	(30)
Housing Benefit & Council Tax	Card Commissioning & Bank Charges	106	(16)
Parks	Equipment Maintenance	83	(32)
Organisational Development	Corporate Training	97	(26)
LEF	Members Grants	114	(25)
Markets	Savings on rates	41	(17)
Learning & Skills	Adjustment to business support contract and KCC grant roll forward	79	(20)
IT	PC Maintenance	661	(25)
Parking	Resurfacing	10	(10)
Highways	General Improvement Areas	16	(10)
Council Tax Collection	Court Costs	24	(5)
Homelessness	Homelessness Prevention Service	74	(56)
Homelessness	Homeless Hostel	-	(35)
Corporate Items	Bad Debts Provision	-	(111)
<b>Total Underspends</b>			<b>(806)</b>
<b>Other Net Underspends/Net Overspends</b>			<b>52</b>
<b>Total Variance</b>			<b>(1,419)</b>

**Table 2:**

	<b>Service Manager</b>	<b>Working Budget £</b>	<b>Outturn 2016/17 £</b>	<b>Variance £</b>
Chief Executive	M. Radford	265,810	251,251	(14,559)
Policy	D. Clifford	222,560	197,942	(24,618)
Economy & Communities	C. Hudson	2,231,610	2,014,108	(217,502)
Communications	S. Toal	274,170	265,084	(9,086)
Resident Services	A. Christou	1,042,940	1,269,755	226,815
Planning	J. Freeman	1,134,340	1,018,637	(115,703)
Commissioning & Customer Contact	D. Thomas	5,867,110	4,808,826	(1,058,284)
Director of Corporate Services & Director of Regeneration	Vacant/E. Wiggins	436,700	380,009	(56,691)
Information Technology	C. Woodward	1,191,360	1,157,858	(33,502)
Audit	R. Clarke	161,990	161,488	(502)
Environmental Health	T. Beattie	515,790	500,304	(15,486)
Finance	N. Vickers	784,390	777,664	(6,726)
Human Resources	D. Smart	371,150	336,822	(34,328)
Legal	E. Culligan	395,640	426,825	31,185
Democratic Services	K. Bescoby	931,640	926,638	(5,002)
Property	A. Adams	801,000	566,676	(234,324)
Variances to be met from underspend		0	30,488	30,488
Corporate Items		1,822,800	1,941,568	118,768
<b>NET REVENUE SERVICE EXPENDITURE</b>		<b>18,451,000</b>	<b>17,031,943</b>	<b>(1,419,057)</b>
<b>Financed by:</b>				
Revenue Support Grant		(1,955,000)	(1,955,000)	0
Business Rates		(5,644,000)	(6,064,512)	(420,512)
New Homes Bonus		(3,482,000)	(3,482,000)	0
Collection Fund Surplus		(79,000)	(79,000)	0
Council Tax Requirement		(7,291,000)	(7,291,000)	0
<b>NET EXPENDITURE</b>		<b>0</b>	<b>(1,839,569)</b>	<b>(1,839,569)</b>
Put Business Rates Underspend to Economic Growth Reserve		0	420,512	420,512
<b>TOTAL CONTRIBUTION TO GENERAL FUND</b>		<b>0</b>	<b>(1,419,057)</b>	<b>(1,419,057)</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 £494,290 of which £241,390 relate to rollovers arising from external funding, grants and the re-investment of additional income;
- bids linked to the Council's priorities and the topping-up of specific reserve funds which it was not possible to do in the budget process (Table 4 Appendix I). These total £248,100.

## 5. Business Rates

- 5.1 In total the Council collected £48m of business rates in 2016/17. After the complicated system of levies and tariffs has been accounted for, the Council received £6.064m.
- 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. There are a number of causes of this volatility, such as new businesses opening, existing business growing or closing, rating appeals, and collection rates.
- 5.3 The reserve has reduced in 2016/17 in order to meet the Council's contribution to the deficit on the Business Rates Collection Fund at the end of 2015/16 which was itself due to an increase in the provision for appeals, so that at the end of year the balance is £1.425m. There is a surplus on the business rates collection fund at the end of 2016/17 of £2.444m which will be redistributed to preceptors in 2017/18 resulting in an increase of £0.979m to this reserve.
- 5.4 In late 2014 the Council agreed to participate in a business rates pool with Kent CC, Kent Fire and Rescue, and 10 of the 12 District Councils. Maidstone BC, who act as accountable body for the scheme, has now finalised the 2016/17 outturn, and Swale was the largest beneficiary, with an additional business rates retained of £1.449m. This is split £0.435m direct to the Council, £0.435m to Kent CC, £0.420m to the economic growth reserve which is shared with KCC to be spent in the Borough, and £0.159m in the pool contingency fund. This was a risk which has been handsomely rewarded. The Council remains in the slightly re-formed pool for 2017/18.

## 6. Improvement and Regeneration Funds

- 6.1 Table 3 below details the outturn position on a number of reserve funds.

**Table 3: Improvement and Regeneration Funds**

	<b>Balance as at 1 April 2016</b>	<b>Transfers from reserve (Expenditure) in year</b>	<b>Transfers to reserve (Income) in year</b>	<b>Balance as at March 2017</b>	<b>Balance unallocated as at 31 March 2017</b>
<b>Funds:</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Performance	536,417	(302,199)	300,000	534,218	199,153
Regeneration	362,649	(197,803)	522,000	686,846	295,302
Communities	71,913	(6,259)	50,000	115,654	85,820
Pension & Redundancy	212,142	0	33,000	245,142	245,142
Local Loan Fund	250,000	(50,000)	0	200,000	200,000
<b>TOTAL</b>	<b>1,433,121</b>	<b>(556,261)</b>	<b>905,000</b>	<b>1,781,860</b>	<b>1,025,417</b>

6.2 Table 6 of Appendix I details the allocations from the above funds during 2016/17.

## 7. Usable Reserves

7.1 Table 4 below summarises the usable reserves balance as at 31 March 2017.

**Table 4: Usable Reserves**

	<b>Balance as at 1 April 2016</b>	<b>Transfers from reserve in year</b>	<b>Transfers to reserve in year</b>	<b>Balance as at March 2017</b>
<b>Reserve</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Total Ring Fenced Revenue Reserves	11,054	(3,608)	3,815	11,261
General Fund	5,365	(491)	0	4,874
Capital Grants Unapplied	312	(71)	65	306
Usable Capital Receipts Reserve	1,127	(243)	102	986
<b>TOTAL</b>	<b>17,858</b>	<b>(4,413)</b>	<b>3,982</b>	<b>17,427</b>

7.2 Table 7 of Appendix I details the ring-fenced reserves as at 31 March 2017.

## 8. Capital Expenditure

8.1 This section of the report details actual capital expenditure and highlights any variations between the revised 2016/17 capital budget and the outturn.

8.2 Actual expenditure to end of March 2017 is £2,954,221. This represents 63% of the revised budget. There remains an underspend of £1,703,299. Further details are set out in Table 9 of Appendix I.

8.3 Heads of Service have submitted a number of capital rollover requests totalling £1,875,853 to be spent in 2017/18 to be released from the underspend of 2016/17. The requests are listed in Table 10 Appendix I, with an explanation provided by the service manager. Of these requests, £1,136,693 is linked with partnership funding as explained in the notes, leaving £739,160 to be met from internal resources. The largest items of rollover are:

- Disabled Facilities Grant - £402,189
- Easthall Farm Community Centre £365,748
- Sittingbourne Skate Park £240,000
- Faversham Creek Basin Regeneration Project (Swing Bridge) £200,000
- Thistle Hill Play Area £180,000
- Minster Leas Promenade Resurfacing £104,656



## 9. Funding of the 2016/17 Capital Programme

9.1 The 2016/17 capital programme expenditure of £2,954,221 was funded as set out in Table 5.

**Table 5: Capital Programme Funding**

	<b>2016/17 Revised Budget £</b>	<b>2016/17 Outturn £</b>
Capital grants and other contributions	3,446,630	2,482,209
Capital receipts	705,730	242,805
Earmarked reserves	505,160	229,207
<b>Total Capital Funding</b>	<b>4,657,520</b>	<b>2,954,221</b>

9.2 Capital receipts from sale of assets in 2016/17 were £52,248. Capital receipts from repayment of grants and loans were £49,284.

## 10. Payment of Creditors

10.1 The outturn for payment of creditors for 2016/17 was 98.95% against the target of 97%.

## 11. Debtors

11.1 The Council has to date collected 85% of the debt raised during 2016/17.

11.2 Tables 6, 7 and 8 below analyse the debt outstanding.

**Table 6: Debt outstanding by due date (not including Rent Deposit Scheme)**

	<b>March 2017 £'000</b>	<b>March 2016 £'000</b>	<b>January 2017 £'000</b>
Not Due	667	340	188
0-2 Months	35	116	77
2-6 months	42	37	42
6-12 months	41	16	17
1-2 Years	7	20	10
2-3 Years	16	3	15
3-4 Years	3	6	3
4-5 Years	4	8	4
5-6 Years	7	15	7
6 Years +	26	16	28
<b>Total</b>	<b>848</b>	<b>577</b>	<b>391</b>
<b>Total over two months</b>	<b>146</b>	<b>121</b>	<b>126</b>
<b>% Total over two months</b>	<b>17%</b>	<b>21%</b>	<b>32%</b>

**Table 7: Debt outstanding by due date (including Rent Deposit Scheme)**

	<b>March 2017 £'000</b>	<b>March 2016 £'000</b>	<b>January 2017 £'000</b>
Not Due	667	343	188
0-2 Months	38	121	78
2-6 months	43	39	48
6-12 months	53	28	27
1-2 years	25	44	32
2-3 years	39	29	34
3-4 years	26	10	23
4-5 years	5	16	5
5-6 years	7	119	8
6 years +	39	16	41
<b>Total</b>	<b>942</b>	<b>765</b>	<b>485</b>
<b>Total over two months</b>	<b>237</b>	<b>301</b>	<b>291</b>
<b>% Total over two months</b>	<b>25%</b>	<b>39%</b>	<b>60%</b>

**Table 8: Debt outstanding (including Rent Deposit Scheme) by Head of Service**

	<b>March 2017 £'000</b>	<b>March 2016 £'000</b>	<b>January 2017 £'000</b>
Rent Deposit Scheme	94	188	94
Commissioning & Customer Contact	93	64	13
Property	176	159	134
Housing	45	54	46
Legal (MKLS)	1	44	154
Economy & Communities	112	94	12
Planning	39	26	0
Regeneration	0	55	0
Communications	3	3	1
Environmental Health	2	1	18
Policy	21	28	0
Other	356	49	13
<b>Total</b>	<b>942</b>	<b>765</b>	<b>485</b>

11.3 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.

11.4 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.

11.5 As can be clearly seen, on the measure of collectable debt less than two months old, the position has improved significantly.

## **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
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

### **15. Appendices**

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

Appendix I: Financial Outturn 2016/17

### **16. Background Papers**

16.1 The Budget 2016/17 and Medium Term Financial Strategy 2016/17 to 2018/19.