

This Report will be made public on 13 October 2020

Report Number **C/20/43**

To: Cabinet
Date: 21 October 2020
Status: Non-Key Decision
Head of Service: Charlotte Spendley – Director of Corporate Services
Cabinet Member: Councillor David Monk - Cabinet Member for Finance

SUBJECT: GENERAL FUND REVENUE BUDGET MONITORING – 2ND QUARTER 2020/21

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 31 August 2020.

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/20/43.**

1. INTRODUCTION AND BACKGROUND

- 1.1 This report updates Cabinet on the likely projected outturn on the General Fund revenue budget, based on data received as at 31 August 2020.
- 1.2 General Fund projections are made against the latest approved estimate and approved virements within year to 31 August 2020.

2. GENERAL FUND REVENUE 2020/21 - PROJECTED OUTTURN

- 2.1 The Quarter 2 projected outturn for service areas shows a forecast of £22,745k against the latest approved budget of £20,802k resulting in a variance of £1,943k (projected overspend).
- 2.2 When taking into account other entries such as Earmarked Reserves, Other Service Grants and Business Rates Income, the total projected outturn is a projected overspend of £1,322k.
- 2.3 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
Finance, Strategy & Corporate Services	6,777	6,369	-408
Human Resources	767	725	-42
Governance & Law	4,953	4,818	-135
Leadership Support	960	1,001	41
Place	2,433	2,613	180
Economic Development	1,033	1,027	-6
Planning	509	0	-509
Operations	1,360	2,092	732
Strategic Development	1,267	1,916	649
Housing	1,033	1,180	147
Transition & Transformation	34	1,004	970
Sub-Total – Heads of Services	21,126	22,745	1,619
Unallocated Net Employee Costs	-324	0	324
Total – Heads of Service	20,802	22,745	1,943

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

	£'000
Finance, Strategy & Corporate Services	
Housing Benefit/Rent Rebates – increase in payments	223
Council Tax Collection – decrease in income	150
Covid-19 grant received	-1,154
Council Tax Benefits – Covid-19 grant received	-169
Corporate Priorities	400
Governance & Law	
Recycling & Waste – additional income	-95
Elections – reduced expenditure due to delay	-66
Place	
Hythe Swimming Pool – decrease in income	249
Local Land Charges – decrease in income	45
Planning	
Development Control – additional income from Planning Performance Agreements	-100
Development Control – additional income	-202
Building Control – decrease in income	45
Operations	
On Street Parking – decrease in income	169
Off Street Parking – decrease in income	364
Commercial Properties – rent reduction	395
Strategic Development	
Otterpool Park	764
Transition & Transformation	
Transformation project	970
Other small variations	-45
Total – Heads of Service	1,943

Finance, Strategy & Corporate Services

Housing Benefit/Rent Rebates – the projected net overspend on Housing Benefits mainly relates to the projected increase in rent allowance payments which is partly off-set by a decrease in Rent Rebates payments.

Council Tax Collection – due to the Courts being closed so far this financial year there will be a reduction in the Council Tax collection income relating to court costs.

Covid-19 grant – due to the Covid-19 pandemic the Council has received an emergency funding grant and covers a wide variety of costs. These

include the purchase of Personal Protective Equipment (PPE), the set-up of Community Hubs, any impact on homelessness and the loss of parking income. The grant aims to offset these cost pressures however, these will occur within various other service areas.

Council Tax Benefits – due to Covid-19 the Council has received a grant specifically for council tax hardship and is being used to give all Council Tax Reduction Scheme (CTRS) claimants an additional £150 discount. This grant is partially offsetting some of the loss of council tax income shown under 2.5 below against the Demand on the Collection Fund.

Corporate Priorities – As part of the 2019/20 Qtr 3 budget monitoring report that went to Cabinet in January 2020 it was agreed to utilise up to £400k of the projected underspend to provide interim capacity for the delivery of Corporate Priorities. In order to be met from the available resources the funds are to 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 and was agreed to be allocated to an Earmarked Reserve for use during 2020/21.

The initiatives and projects currently proposed to utilise the £400k are:

	£'000
COVID-19 Community Hub response	120
Heritage enhancements	40
Park enhancements (including additional bin capacity and H&S equipment improvements)	60
Specialist support for FOI team	10
EiP Core Strategy legal advice	45
Policy Resource *	45
Development of new ED Strategy	50
Additional CLLD capacity	12
Sandgate Rd Car Park – additional security measures	8
Provision for Kent Savers Credit Union *	10
	400

* these proposals remain preliminary at this stage

Governance & Law

Recycling & Waste – the increase in income relates to the continuing increase in the garden waste collection subscriptions in 2020/21.

Elections – the underspend is due to reduced expenditure with both the Local and Police and Crime Commissioner (PCC) elections being delayed by a year.

Place

Hythe Swimming Pool – the reduction in income relates to the closure of the pool due to Covid-19. This will continue to be monitored closely depending on when the pool re-opens and is likely to change as we go through the financial year and as the current situation develops.

Local Land Charges – there is a reduction in income received relating to official land charge fees which is partly off-set by a decrease in land registry fee expenditure paid to KCC.

Planning

Development Control – following the successful introduction of Planning Performance Agreements additional income is projected to be received in 2020/21.

Planning Application Fees – there is a projected over recovery of income based on previous years outturn and current trends in this financial year.

Building Control – there is projected to be a decrease in income within 2020/21 for building regulation fees.

Operations

Car Parking - income projections for both on-street and off-street parking are projected to decrease significantly in 2020/21.

This will continue to be monitored closely and is likely to change as we go through the financial year and as the current situation regarding Covid-19 develops.

Commercial Properties – there is projected to be a loss of rental income throughout the financial year. This will continue to be monitored closely and is likely to change as we go through the financial year and as the current situation regarding Covid-19 develops.

Strategic Development

Otterpool Park - The projected cost for progressing the Otterpool masterplanning process in 2020/21, both as a developer and as the local planning authority, is projected to be £764k more than budgeted.

The increase relates to additional masterplanning costs to meet the requirements of statutory bodies involved in the consultation for the planning process.

The total cost in 2020/21 is projected to be £1,570k which will be met from and fully utilise the Otterpool Reserve.

Transition & Transformation

Transformation Project - The transformation project is currently on target to spend the budget that was approved by Cabinet in March 2018. This was profiled over 2 years with 2019/20 being year 2 and has been re-profiled into 2020/21 and is at present projecting to be on target however, this will be reviewed on an ongoing basis and re-profiled if necessary.

The funding of the expenditure in 2020/21 is due to come from the Flexible Use of Capital Receipts however, if these do not materialise in this financial year then this would create a funding pressure.

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

Interest Payable & Similar Charges

The projected overspend of £112k relates to an increase in the contribution of bad debt provision. This is consistent with the 2019/20 outturn position and allows for a slight increased impact in this financial year.

Interest and Investment Income

A decrease of £115k investment interest is projected to be received mainly due to a slightly lower interest rate being received than originally anticipated.

Other Non-Service related Government Grants

There is projected to be additional grant received of (£5,578k) which reflects net changes to Section 31 (s31) grant received from Ministry of Housing, Communities & Local Government (MHCLG) in relation to the expanded retail discount in response to Covid-19 which is to be fully funded by s31 grant. This increase in grant income off-sets the reduction in Business Rates income.

It also includes additional income in the form of MHCLG grant relating to sales, fees and charges losses of income relating to April-July 2020 due to Covid-19.

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 £3,109k in 2020/21.

This is an increase of £1,430k in the budgeted sum and mainly relates to the purchase of the former Debenhams store of £2,400k and is partly off-set by the funding of the Transformation Programme.

Movement in Earmarked Reserves

The projected movement on Earmarked Reserves of (£3,360k) reflects the release of (£2.1m) for the purchase of the former Debenhams store, (£835k) increase use of the Otterpool reserve due to re-profiling of expenditure and (£400k) assumed use of monies carried forward from 2019/20 for Corporate Priorities.

Reserve	Balance at 1/4/2020 £'000	Latest Budget £'000	Projection £'000	Change £'000	Balance at 31/3/2021 £'000
Earmarked					
Business Rates	5,699	-4,426	-4,318	108	1,381
Leisure Reserve	497	-100	50	150	547
Carry Forwards	681	-159	-159	0	522
VET Reserve	257	-50	-50	0	207
Invest to Save	366	-366	-366	0	0
Maintenance of Graves	12	0	0	0	12
New Homes Bonus (NHB)	2,360	-18	-18	0	2,342
Corporate Initiatives	998	-136	-734	-598	264
IFRS Reserve	30	-23	-23	0	7
Otterpool Park Garden Town	1,570	-735	-1,570	-835	0
Economic Development	4,384	-2,239	-3,958	-1,719	426
Community Led Housing	418	-52	-52	0	366
Lydd Airport	9	0	0	0	9
Homelessness Prevention	401	0	0	0	401
High Street Regeneration	3,000	-468	-934	-466	2,066
Climate Change	0	5,000	5,000	0	5,000
Total Earmarked Reserves	20,682	-3,772	-7,132	-3,360	13,550

Business Rates Income

Business Rates income has decreased by £5,875k compared to budget. This relates to a reduction in business rates income due to the additional reliefs awarded as part of the expanded retail discount announced by the Government in response to Covid-19 which is compensated by the increase in s31 grant and an increase in the provision for bad debts based on the estimated impact on the collection rate during the year.

Demand on the Collection Fund

The reduction in Council Tax income of £1,133k relates to additional reliefs awarded as a result of Covid-19 and the estimated impact on the collection rate during the year.

- 2.6 With the above variances added to the service areas adverse variance of £1,943k, the overall position for the general fund shows a projected overspend of £1,322k.

3. CONCLUSIONS

- 3.1 The projected outturn shown for the General Fund revenue account for 2020/21 reflects the position based on actual expenditure and forecasts at 31 August 2020.
- 3.2 As previously reported to Cabinet work is underway to address the pressures in year resulting from the global pandemic.

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.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors 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 projection working papers.