

Cabinet	
Meeting Date	13 July 2016
Report Title	Financial Outturn Report 2015/16
Cabinet Member	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance & Performance
SMT Lead	Nick Vickers, Head of Finance
Head of Service	Nick Vickers, Head of Finance
Lead Officer	Phil Wilson, Chief Accountant
Key Decision	Yes
Classification	Open
Forward Plan	Reference number: 17
Recommendations	<ol style="list-style-type: none"> 1. To note the gross revenue underspend on services of £1,958,000. 2. To note the £138,250 rollover of specific and other grants, and a rollover of £48,000 due to an accounting adjustment re play areas. 3. To note the approved rollover of £170,000 to meet the 2016/17 base budget as set out in paragraph 1.6. 4. To note the net revenue underspend on services of £1,601,750. 5. To approve the revenue rollover of specific and other grants of £138,250 as set out in Table 3 Appendix 1. 6. To note the net revenue over-recovery on business rates of £1,744,380. 7. To consider the further revenue service rollovers of £754,510 from 2015/16, and the setting up of new reserves as set out in Table 4 Appendix I for approval. 8. To consider the revenue service bids of £443,990, as set out in Table 5 Appendix I for approval. 9. To delegate to the Head of Finance the allocation of uncommitted underspends to reserve funds. 10. To consider the capital rollovers of £473,160, as detailed in Table 10 Appendix I for approval.

1. Purpose of Report and Executive Summary

1.1 This report sets out the revenue and capital outturn position for 2015/16.

- 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 savings on contracts, and higher income – these two areas account for 79% of the £1,958,000 underspend. 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 £966,000 in 2017/18, and £2,711,000 in 2018/19. The scope of management efficiency savings and for savings on major contracts is also much reduced given the successful work to date. Balancing the budget therefore becomes much more about generating income, via business rates and New Homes Bonus in particular.
- 1.5 Council on 17 February (report item 10) agreed to contribute £170,000 from the 2015/16 underspend to meet the 2016/17 funding gap.
- 1.6 The headline figures are:
- total revenue underspend of £1,958,000;
 - £138,250 rollover of specific and other grants;
 - £48,000 rollover due to an accounting adjustment;
 - £170,000 rollover to meet 16/17 funding gap;
 - £754,515 bid requests from heads of service – Table 4 in Appendix I;
 - £443,993 rollover requests of operational underspends – Table 5 in Appendix I;
 - net over-recovery on business rates of £1,744,381; and
 - capital underspend of £69,399.
- 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 The third quarter (April – December) variance reported to Cabinet was an underspend of £943,000. Therefore, the movement since then totals £1,015,000. Table 1 details this movement (items over £30,000).

Table 1: Movements since February Cabinet

	£'000	£'000
Variance to Cabinet (April to December)		(943)
Economy & Communities		
Sports Development	(33)	
Community Safety	(29)	
Learning & Skills	(22)	
Other (net)	(31)	(115)
Resident Services		
Bed & Breakfast Costs – Additional Expenditure	100	
Recovery of Council Tax Costs	48	
Windfall recovery of Council Tax Benefit Overpayment – a review of accounts of Collection Fund identified that repayments of overpaid Council Tax Benefit should be credited to the General Fund	(218)	
Other (net)	(43)	(113)
Commissioning & Customer Contact		
Cemeteries	(45)	
Street Cleansing	(31)	
Waste & Recycling Promotion	(106)	
Grounds Maintenance Contract	(34)	
Commissioning & Customer Contact	(32)	
Car Park Income	(237)	
Leisure & Sports	(60)	
Net Commissioning	(78)	(623)
Corporate Services		
Corporate Director – net savings on external audit etc.		(23)
Licensing – fee income and salary underspends		(32)
MKIP Services - Environmental Health, IT, Legal and HR		(134)
Elections & Electoral Registration – additional contributions		(41)
Corporate Provision for Bad Debt		(65)
Corporate Items (net)		73
Net other movements		58
	Total Movement	(1,015)
	Variance to Cabinet (April to March 2016)	(1,958)

3.2 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.

3.3 Within the total underspend are specific and other grants totalling £126,256. The principal grants are:

- Stay Put Health grant - £40,480;
- Troubled Families Grant - £21,847; and
- Air Quality Grant - £13,284.

3.4 There are a number of service movements within the overall revenue outturn, and the most significant of these are summarised below.

Table 2: Service Movements

Service/Contract	Reason for variance	£'000
Additional Income:		
Parking	Pay and Display and PCN income	(237)
Housing Benefit	The local council tax support scheme replaced council tax benefit in 2013. However, since then the Council received £218k income from the recovery of overpaid council tax benefit, which originally was paid into the Collection Fund but it should have been accounted for in the General Fund	(218)
	Recovery of Council Tax costs greater than expected	(32)
	Recovery of Housing Benefit overpayments	(75)
Corporate Items	Additional external interest income	(149)
	KCC 2 nd Homes Discount grant	(27)
	Reduction in bad debt due to improved collection	(65)
Recycling & Waste Management	Additional income from garden waste scheme	(75)
Parks & Open Spaces	Play Area Commuted Sums	(48)
Property Management	Additional depot rental income	(47)
Development Control	Additional Planning Income	(46)
Licensing	Additional licence fee income	(20)
Legal	Additional income from S106 fees	(19)

Service/Contract	Reason for variance	£'000
Refuse Collection / Street Cleansing	Net additional income special/bulky collections	(19)
	Net increased bin sales	(25)
Hackney Carriages	Additional licence fees income	(17)
Policy	Additional Big Lottery Funding to offset senior management time on Sustainable Sheppey project	(12)
Land Charges	Additional land charges income	(11)
Economy & Communities	Net fixed penalty notice income	(7)
	Additional advertising income	(6)
Total Additional Income		(1,155)
Procurement/Shared Service Savings:		
Leisure & Sport	Net leisure contract savings	(129)
Cleansing	Net waste contract savings	(106)
	Enabling payments additional income	(54)
Grounds Maintenance Contract	Savings on reduced area/no. of sports pitches, open spaces and cemeteries	(55)
Customer Service Centre	Gateway fees and services savings	(38)
IT MKIP	Lower than expected MKIP charges	(21)
Audit Shared Service	Reimbursement from Maidstone BC and underspend in 2015/16	(16)
Public Conveniences	Net contract savings	(12)
Building Control	Saving on Building Control shared service	(4)
Total Procurement/Shared Service Savings		(435)
Staff Vacancies		
Policy	Vacant post and secondment	(25)
Communications	Vacant posts	(27)
Resident Services	Vacant posts, mainly in Housing Development and Strategy	(31)
Commissioning & Customer Support	Vacant posts mainly in Commissioning and Contracts, and Client and Amenity	(127)
Licensing	Vacant posts	(17)
Property Services	Vacant post	(26)
Director of Regeneration	Vacant post	(38)
Other net	Net overspend	50

Service/Contract	Reason for variance	£'000
Recovery of staff costs	Recovery of costs of staff seconded to partner authorities	(77)
Corporate	Additional pension contributions to KCC	39
Total Staff Vacancies		(279)
Delayed Projects:		
Refuse Collection / Street Cleansing	Promotion / Communications budget. This was a bid against the 2015/16 projected underspend which was agreed in July 2015	(106)
Ring fenced grants	(Refer to Table 3 Appendix 1)	(126)
Total Delayed Projects		(232)
Overspends:		
Homelessness	Net bed and breakfast budget	139
Housing Benefit & Council Tax	Increased card commissioning costs and bank charges	30
	Empty Property Review	26
Refuse/Recycling	Purchase of additional wheeled bins (not covered by waste contract)	73
Planning	Shortfall on S106 monitoring fee income	34
Total Overspends		302
Other Net Underspends		(159)
Total Variance		(1,958)

Proposed Revenue Rollovers

- 3.5 The use of rollovers is critical for the overall financial management of the Council. Their proposed use falls into three main categories:
- unspent ring-fenced grants where projects continue and the funds can only be spent for these purposes and other grants (Table 3 Appendix I);
 - service requests for rollovers at an operational level (Table 4 Appendix I); and
 - larger 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 5 Appendix I).
- 3.6 MKIP ICT have at Swale a repair and renewals reserve which is used to provide finance for the repair, maintenance and the replacement of IT software and equipment for the use of Swale services only. This is topped up by £40,000 annually which is charged to the Swale revenue budget. At 31 March

2015 it had a surplus of £108,000. MKIP ICT are also responsible for a Swale revenue budget of £614,390 on IT software and equipment for the use of Swale services only. It is recommended that any underspend or overspend on this revenue budget on the General Fund will be transferred to the MKIP ICT Swale repair and renewals fund at the end of each financial year. For 2015/16 this underspend is £18,129.

Business Rates

- 3.7 In total the Council collected £46m of business rates in 2015/16. After the complicated system of levies and tariffs has been accounted for, the Council received £6.32m.
- 3.8 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.
- 3.9 The reserve has increased in 2015/16 due to the underspend on business rate relief (£147k), a higher level of business rates than budgeted (£1,311k), and work to increase the collectable rates £42k, so that at the end of year the balance is £2.649m.
- 3.10 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 2015/16 outturn, and Swale was the largest beneficiary, with an additional business rates retained of £1.093m. This is split 30% direct to the Council (£328,000), 30% shared with KCC to be spent in the Borough, 30% to Kent CC, and 10% in the pool contingency fund. This was a risk which has been handsomely rewarded. The Council remains in the slightly re-formed pool for 2016/17.

Improvement and Regeneration Funds

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

Table 3: Improvement and Regeneration Funds

	Balance as at 1 April 2015	Transfers from reserve (Expenditure) in year	Transfers to reserve (Income) in year	Balance as at March 2016	Balance unallocated as at 31 March 2016
Funds:	£	£	£	£	£
Performance	746,911	(210,494)	0	536,417	255,807
Regeneration	311,421	(202,022)	253,250	362,649	175,951
Communities	48,563	(44,577)	67,927	71,913	39,395
Transformation	193,338	(81,196)	100,000	212,142	212,142
Local Loan Fund	250,000	0	0	250,000	193,805
TOTAL	1,550,233	(538,289)	421,177	1,433,121	877,100

- 3.12 As in previous years, the Regeneration Fund was topped up by £250,000 from the New Homes Bonus received for 2015/16. In addition, the Transformation Reserve was topped up by £100,000, and the Communities Fund was topped up by £50,000, both from the 2014/15 underspend.
- 3.13 Table 6 of Appendix I details the allocations from the above funds during 2015/16.

Usable Reserves

- 3.14 Table 4 below summarises the usable reserves balance as at 31 March 2016.

Table 4: Usable Reserves

	Balance as at 1 April 2015	Transfers from reserve in year	Transfers to reserve in year	Balance as at March 2016
Reserve	£'000	£'000	£'000	£'000
Total Ring Fenced Revenue Reserves	8,713	(1,851)	4,193	11,055
General Fund	5,128	0	237	5,365
Capital Grants Unapplied	269	(52)	95	312
Usable Capital Receipts Reserve	911	(141)	357	1,127
TOTAL	15,021	(2,044)	4,510	17,859

- 3.15 Table 7 of Appendix I details the ring-fenced reserves as at 31 March 2016 after the transfers of specific grants.

Capital Expenditure

- 3.16 This section of the report details actual capital expenditure and highlights any variations between the revised 2015/16 capital budget and the outturn.
- 3.17 Actual expenditure to end of March 2016 is £2,308,670. This represents 97% of the revised budget. There remains an underspend of £69,400. Further details are set out in Table 9 of Appendix I.
- 3.18 Heads of Service have submitted a number of capital rollover requests totalling £473,158 to be spent in 2016/17 to be released from the underspend of 2015/16. The requests are listed in Table 10 Appendix I, with an explanation provided by the service manager. Of these requests, £421,360 is linked with partnership funding as explained in the notes. The largest items of rollover are:
- Disabled Facilities Grant - £278,365 - committed for specific disabled works but not yet spent; and
 - Iwade play area £92,200 - land in the process of being transferred.

Funding of the 2015/16 Capital Programme

3.19 The 2015/16 capital programme expenditure of £2,308,671 was funded as set out in Table 5.

Table 5: Capital Programme Funding

	2015/16 Revised Budget £	2015/16 Outturn £
Partnership funding (including S106 Grants)	1,814,710	1,436,293
Earmarked Reserves	399,680	348,848
Long Term Debtors / Third Party Loans	0	396,757
Capital Receipts	163,680	126,773
Total Funded	2,378,070	2,308,671

3.20 Capital receipts from sale of assets in 2015/16 were £256,667. Capital receipts from repayment of grants and loans were £100,133.

3.21 There are a number of revenue rollover bids from the 2015/16 underspend that potentially will be used to fund capital expenditure in 2016/17. These include:

- modular toilet kiosks at two beach hut sites - £30k;
- Milton Creek Country Park vehicle access road - £40k;
- Barton's Point bridge deck replacement - £14k; and
- Nursery Close bridge deck replacement - £7.5k.

Payment of Creditors

3.22 The outturn for payment of creditors for 2015/16 was 98.86% against the target of 97%.

Debtors

3.23 The Council has to date collected 92% of the debt raised during 2015/16.

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

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

	March 2016	March 2015
	£'000	£'000
Not Due	340	726
0-2 Months	116	103
2-6 Months	37	71
6-12 Months	16	17

	March 2016	March 2015
	£'000	£'000
1-2 Years	20	7
2-3 Years	3	7
3-4 Years	6	19
4-5 Years	8	15
5-6 Years	15	11
6 Years +	16	12
Total	577	988
Total over two months	237	262
% Total over two months	41%	27%

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

	March 2016	March 2015
	£'000	£'000
Not Due	343	727
0-2 Months	121	112
2-6 Months	39	72
6-12 Months	28	(3)
1-2 Years	44	33
2-3 Years	29	11
3-4 Years	10	26
4-5 Years	16	216
5-6 Years	119	11
6 Years +	16	12
Total	765	1,217
Total over two months	422	490
% Total over two months	55%	40%

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

	March 2016	March 2015
	£'000	£'000
Rent Deposit Scheme	188	229
Commissioning & Customer Contact	64	233
Property	159	184
Housing	54	100
Legal (MKLS)	44	264
Economy & Communities	94	26
Planning	26	53
Regeneration	55	49
Communications	3	4
Environmental Health	1	27
Policy	28	3
Other	49	45
Total	765	1,217

- 3.25 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.
- 3.26 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.
- 3.27 As can be clearly seen, on the measure of collectable debt less than two months old, the position has improved significantly. Although the % total over two months has increased from 27% to 41%, this is due to the total debt outstanding decreasing from £988k to £577k.

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 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

7. Appendices

- 7.1 The following documents are published with this report and form part of the report:
Appendix I: Financial Outturn 2015/16

8. Background Papers

- 8.1 The Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2017/18.