

Cabinet	Agenda Item: 8
Meeting Date	7 September 2016
Report Title	Financial Management Report – April – June 2016
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: 7
Recommendations	<ol style="list-style-type: none"> 1. To note the projected net revenue underspend on services of £199,000. 2. To note the capital expenditure of £346,000 to end of June 2016.

1. Purpose of Report and Executive Summary

- 1.1 This report shows the revenue and capital projected outturn for 2016/17 as at the end of June 2016. The report is based on service activity up to the end of June 2016, and is collated from monitoring reports from budget managers.
- 1.2 A total revenue projected underspend on services is forecast of £199,000;
- 1.3 The detailed outturn statements are detailed in Tables 2 and 3.

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

Table 1: Service Movements

Service/Contract	Reason for Variance	Working Budget £'000	Projected Variance £'000
Additional Income:			
Fees & Charges set by SBC:			
Parking	Additional income from parking fees	(1,565)	(165)
Legal	Additional income from S106 fees	(29)	(11)
Recycling & Waste Management & Street Cleansing	Additional income from garden waste collections (brown bins)	(368)	(11)
Other Income:			
Corporate Items	Additional external interest income	(93)	(134)
Recycling & Waste Management & Street Cleansing	Special collections and sale of litter bins	(25)	(6)
Total Additional Income			(327)
Procurement/Shared Service Savings/Additional Costs:			
Refuse Collection/Street Cleansing	Street Cleansing Contract	(884)	(30)
	Refuse & Recycling Contract	(2,401)	(17)
Leisure & Sport	Net contract savings	(226)	(2)
Planning MKIP	Additional MKIP costs	251	13
Audit Shared Service	Additional shared service costs	157	1
Benefits	Fraud Prevention savings	(93)	(19)
Public Conveniences	Net contract savings	(250)	(5)
Total Net Procurement/Shared Service Savings			(59)
Overspends:			
Homelessness	Net bed and breakfast budget	111	119
Planning	Shortfall on planning income	(672)	100
Total Overspends			219
Other Net Underspends			(32)
Total Variance			(199)

3.2 Table 2 below shows the outturn position by service. The line-by-line variations are explained in Table 3.

Table 2 : Underspend by Service

	Service Manager	Working Budget	Projected Outturn 2016/17	Projected Variance
		£	£	£
Chief Executive	A. Kara	265,810	237,810	(28,000)
Policy	D. Clifford	213,860	212,860	(1,000)
Economy & Communities	C. Hudson	2,066,690	2,066,690	0
Communications	S. Toal	234,770	234,770	0
Resident Services	A. Christou	1,654,760	1,716,760	62,000
Planning	J. Freeman	935,730	1,080,730	145,000
Commissioning & Customer Contact	D. Thomas	5,486,430	5,242,430	(244,000)
Director of Corporate Services & Director of Regeneration	M. Radford / E. Wiggins	361,850	364,850	3,000
Information Technology	A. Cole	1,081,500	1,081,500	0
Audit	R. Clarke	156,990	157,990	1,000
Environmental Health	T. Beattie	507,050	507,050	0
Finance	N. Vickers	1,452,480	1,443,480	(9,000)
Human Resources	D. Smart	342,010	342,010	0
Legal	J. Scarborough	395,640	384,640	(11,000)
Democratic Services	K. Bescoby	914,720	913,720	(1,000)
Property	A. Adams	574,930	569,930	(5,000)
Variances to be met from underspend		0	10,000	10,000
Corporate Items		1,806,048	1,685,048	(121,000)
NET REVENUE SERVICE EXPENDITURE		18,451,268	18,252,268	(199,000)
Financed by:				
Revenue Support Grant		(1,954,950)	(1,954,950)	0
Business Rates		(5,643,950)	(5,643,950)	0
New Homes Bonus		(3,482,000)	(3,482,000)	0
Collection Fund Surplus		(260,970)	(260,970)	0
Council Tax Freeze Grant		(79,000)	(79,000)	0
Council Tax Requirement		(7,030,398)	(7,030,398)	0
TOTAL CONTRIBUTION TO GENERAL FUND		0	(199,000)	(199,000)

Table 3: Main Variations by Service

Projected Net (Under)/Overspend / Income Shortfall as at end of June 2016		
Service – Cabinet Member (Head of Service)	£'000	Explanation
CHIEF EXECUTIVE – Cllr A. Bowles (Abdool Kara)		
Chief Executive & Corporate Costs	(28)	£7k underspend on corporate costs £21k other net savings
Policy	(1)	Net staff costs savings
TOTAL	(29)	
ECONOMY AND COMMUNITIES – Cllrs M. Cosgrove & A. Horton (Charlotte Hudson)		
Environmental	0	The Dog Warden Service is negotiating a new kennelling contract however it is too early to estimate the final service outturn. Additional staff costs in Environmental Response are anticipated to be offset by savings elsewhere.
Economic Development	0	Additional maternity cover staff costs are expected to be offset by savings in Learning & Skills.
Learning & Skills	0	Savings arising from the new contract for Business Support Services will offset Economic Development additional staff costs.
Markets	0	Anticipated additional specialist markets on Saturday may generate additional business rates and income. However, contract terms are still being negotiated and it is too early to estimate any additional costs or savings.
TOTAL	0	
COMMUNICATIONS, PRINTING, ADVERTISING & PROMOTION – Cllrs M. Cosgrove & A. Horton (Sara Toal)		
Communications	0	Nil Variance reported at this stage
TOTAL	0	
RESIDENT SERVICES – Cllr K. Pugh (Amber Christou)		
Council Tax Benefit	0	Nil Variance reported at this stage
Housing Benefit and Council Tax	(14)	£19k projected underspend on the Fraud Partnership shared service; £11k underspend on mileage; £10k overspend projected on staff costs £6k overspend for grants

Projected Net (Under)/Overspend / Income Shortfall as at end of June 2016		
Service – Cabinet Member (Head of Service)	£'000	Explanation
Housing Development and Strategy	(1)	Staff costs underspend
Private Sector Housing	(14)	£11k underspend on staff costs as a member of staff is on maternity leave £3k mileage underspend
Stay Put Scheme	(2)	Small underspend on salaries.
Housing Options	93	£119k overspend on the Bed & Breakfast budget £30k underspend for homeless hostel budget £4k miscellaneous overspends
TOTAL	62	
PLANNING – Cllr G. Lewin (James Freeman)		
Building Control	0	Nil Variance reported at this stage
Development Control	128	£100k net pressure for planning fees £2k additional income £25k overspend from Spade Lane appeal £5k overspend for enforcement salaries
Development Services	4	Additional staff costs £4k
Local Land Charges	0	Nil Variance reported at this stage
Local Planning & Conservation	0	Nil Variance reported at this stage
Mid Kent Planning Service (MKPS)	13	Anticipated additional costs for MKPS
TOTAL	145	
COMMISSIONING & CUSTOMER CONTACT – Cllr D. Simmons (Dave Thomas)		
Commissioning & Customer Contact, Client & Amenity Services and Customer Service Centre	8	£7k staff costs pressure £1k miscellaneous other costs
Parking Management	(165)	Anticipated additional income over budget
Leisure & Sports	(13)	£11k energy costs recharges for Central House £2k Serco credit sale agreement repayments lower than budgeted

Projected Net (Under)/Overspend / Income Shortfall as at end of June 2016		
Service – Cabinet Member (Head of Service)	£'000	Explanation
Cleansing	(2)	£5k staff costs savings £3k miscellaneous additional costs (including mileage lump sum £1k)
Recycling & Waste Minimisation	(11)	Garden Waste bins additional income.
Refuse Collection / Street Cleansing/ Public Conveniences	(61)	£52k estimated contract costs savings £5k special collections fees £3k rates savings £1k sale of litter bins (Note – contract costs for current year are still being negotiated)
TOTAL	(244)	
DIRECTOR OF CORPORATE SERVICES – Cllr D. Dewar-Whalley (Mark Radford)		
Corporate Costs	0	Nil variance
Licensing	0	Nil variance
TOTAL	0	Nil variance
EMERGENCY PLANNING – Cllr A. Bowles (Della Fackrell)		
Emergency Planning	0	Nil variance
TOTAL	0	
DIRECTOR OF REGENERATION – Cllr M. Cosgrove (Emma Wiggins)		
Strategic Director	3	Minor variance
TOTAL	3	
IT SERVICES – Cllr D. Dewar-Whalley (Andy Cole)		
IT MKIP	0	Nil variance
IT Clientside	0	Nil variance
TOTAL	0	
ENVIRONMENTAL HEALTH – Cllr. D. Simmons (Tracey Beattie)		
Environmental Health MKIP	0	Nil variance
TOTAL	0	
INTERNAL AUDIT – Cllr D. Dewar-Whalley (Rich Clarke)		
Audit Services	1	Small increase in the recharge for the MKIP Audit service due to new pay scales at MBC
TOTAL	1	

Projected Net (Under)/Overspend / Income Shortfall as at end of June 2016		
Service – Cabinet Member (Head of Service)	£'000	Explanation
FINANCE – Cllr D. Dewar-Whalley (Nick Vickers)		
Financial Services	(9)	Minor variance
TOTAL	(9)	
HUMAN RESOURCES – Cllr D. Dewar-Whalley (Dena Smart)		
Human Resources	0	Nil variance
Organisational Development	0	Nil variance
TOTAL	0	
LEGAL – Cllr D. Dewar-Whalley (John Scarborough)		
Legal MKLS	0	Nil variance
S106 Income	(11)	Additional income from S106 income
TOTAL	(11)	
DEMOCRATIC SERVICES – Cllr A. Bowles (Katherine Bescoby)		
Democratic Process	(1)	Minor variance
Other Democratic Costs	0	Nil Variance
TOTAL	(1)	
PROPERTY SERVICES – Cllr D. Dewar-Whalley (Anne Adams)		
Property Services	(9)	Underspend on salary budgets
Administrative Buildings	(2)	Miscellaneous small underspends
Property Management	6	£11k pressure on rental income £5k underspend on rates
Health & Safety	0	Nil variance
TOTAL	(5)	
VARIANCES TO BE MET FROM UNDERSPEND		
Sittingbourne Town Centre Development	10	Additional Legal Fees re Sittingbourne Town Centre Project. As in previous years, it is requested that this be funded from the anticipated final total underspend.
TOTAL	10	
NON-SERVICE BUDGETS		
Corporate Items	(121)	£134k external interest additional income £7k additional costs re: Lower Medway Internal Drainage Board £6k net additional costs
	(199)	NET EXPENDITURE (PROJECTED VARIANCE)

Business Rates

- 3.3 The headline figures for total Business Rates income are:
- 2015/16 NNDR3 (outturn) £45,081,000
 - 2016/17 Budget £46,422,000
 - 2016/17 NNDR1 (Forecast) £47,542,000
- 3.4 The Council retains about 10% of total business rates and 40% of any growth over the 1 April 2013 base position. The Council has agreed that any surplus goes into the Business Rates Volatility Reserve. The reserve currently stands at £2.6m and any surplus business rates for 2016/17 will be put to this reserve in order to be able to address any future volatility of income.
- 3.5 The Council has set aside £8.1m for business rate appeals. This indicates how business rate income can vary greatly as a result of a decision made on business rate appeals.
- 3.6 On 5 July 2016, DCLG published the consultation paper, “*Self-sufficient local government: 100% Business Rates Retention*”. The paper seeks views regarding the implementation of 100% Business Rates Retention for local government which government intends to introduce to local government by the end of the Parliament. It is expected that, at the same time, the government will update the relative needs formulae (i.e. that determines the amount of resources that an authority will have if it collects at its business rates target). A discussion paper “*Fair Funding Review: Call for evidence on needs and redistribution*” on the review of the Baseline Need figure was also published on 5 July 2016. There will also be a revaluation of business rates as at 1 April 2017.
- 3.7 DCLG have confirmed agreement to a business rate pool for 2016/17 consisting of KCC and ten district / borough councils – Sevenoaks remains outside, Dartford comes in and Dover leaves.

Improvement and Regeneration Funds

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

Table 4: Improvement and Regeneration Funds

	Balance as at 1 April 2016	Transfers from reserve (Expenditure) in year	Transfers to reserve (Income) in year	Balance as at March 2017
Funds:	£	£	£	£
Performance	536,417	(2,850)	0	533,567
Regeneration	362,649	(9,782)	250,000	602,867
Communities	71,913	(143)	0	71,770
Transformation	212,142	(221)	0	211,921
Local Loan Fund	250,000	0	0	250,000
TOTAL	1,433,121	(12,996)	250,000	1,670,125

3.9 Appendix I details the allocations from the above funds during 2016/17.

Capital Expenditure

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

3.11 Actual expenditure to end of June 2016 is £346,003. This represents 12.6% of the revised budget. Further details are set out in Appendix II.

Funding of the 2016/17 Capital Programme

3.12 The 2016/17 capital programme expenditure of £346,003 is funded as set out in Table 5.

Table 5: Capital Programme Funding

	2016/17 Revised Budget £	2016/17 Actual to end of June 2016 £
Partnership funding (including S106 Grants)	2,104,000	317,524
Earmarked Reserves	47,000	8,567
Long Term Debtors / Third Party Loans	0	19,912
Capital Receipts	605,000	0
Total Funded	2,756,000	346,003

Payment of Creditors

3.13 The payment of creditors to end of June 2016 is 99% paid in 30 days against the target of 97%.

Debtors

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

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

	June 2016	June 2015
	£'000	£'000
Not Due	112	313
1-2 Months	440	116
2-6 Months	46	65
6-12 Months	11	20
1-2 Years	19	11
2-3 Years	4	6
3-4 Years	6	8

	June 2016	June 2015
	£'000	£'000
4-5 Years	7	24
5-6 Years	14	11
6 Years +	23	15
Total	682	589
Total Due	570	276
% Total Due	84%	47%

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

	June 2016	June 2015
	£'000	£'000
Not Due	114	317
1-2 Months	440	116
2-6 Months	56	76
6-12 Months	23	20
1-2 Years	33	18
2-3 Years	38	12
3-4 Years	11	15
4-5 Years	15	57
5-6 Years	43	173
6 Years +	94	15
Total	867	819
Total Due	753	502
% Total Due	87%	61%

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

	June 2016	June 2015
	£'000	£'000
Rent Deposit Scheme	185	231
Commissioning & Customer Contact	58	33
Property	157	196
Residents Services	49	66
Legal (MKLS)	5	2
Economy & Communities	14	12
Planning	3	20
Regeneration	0	45
Communications	0	1
Environmental Health	14	4
Policy	1	3
Other	381	206
Total	867	819

3.15 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.

3.16 Of the £440k shown to be outstanding as at June 2016, £392k (largely S106 income) was paid on 5 July 2016. Of the debts older than 12 months, £24k are charges on property.

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: Improvement & Regeneration Fund allocations as at the end of June 2016
- Appendix II: Capital Programme – Projected outturn as at end of June 2016

8. Background Papers

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

Improvement and Regeneration Fund Allocations to the end of June 2016

	Amount £
Performance Fund	
Community Safety Operational Pot	5,000
Transformation Project	120,000
Data Quality Project	25,000
Transitional Review into Future Delivery of DFG's	4,000
Consultancy support for renegotiation of Grounds Maintenance contract	20,000
Smarter Digital Services	20,000
Additional hours to support Cabinet and Deputy Cabinet Members	1,604
Website Development	5,000
Digital Service Development - GovDelivery implementation	3,320
Website re-design	49,000
Pilot project for website self service	10,260
Total Approved as at June 2016	263,184
Regeneration Fund	
Sheerness Strategic Regeneration Framework	15,000
Total Approved as at June 2016	15,000
Communities Fund	
Total Approved as at June 2016	0

Capital Programme 2016/17

	Funding SBC / P	2016/17 Original Budget £	Other Adjustments £	2016/17 Working Budget £	2016/17 Actual to End of June 2016 £	2016/17 Projected Variance £
SUMMARY						
<i>PARTNERSHIP FUNDING SCHEMES</i>						
<i>Economy & Communities</i>	<i>P</i>	964,000		964,000	13,538	
<i>Resident Services</i>	<i>P</i>	1,140,000		1,140,000	302,625	
TOTAL PARTNERSHIP FUNDING SCHEMES	<i>P</i>	2,104,000	0	2,104,000	316,163	0
<u>SWALE BOROUGH COUNCIL FUNDING SCHEMES</u>						
Commissing & Customer Contact	SBC	15,000		15,000	0	
Corporate Services	SBC	0	17,000	17,000	8,500	
Environmental Health	SBC	55,000		55,000	0	
Economy & Communities	SBC	565,000		565,000	0	
Resident Services	SBC	0		0	21,340	
Finance	SBC					
TOTAL SBC FUNDING SCHEMES	SBC	635,000	17,000	652,000	29,840	0
TOTAL CAPITAL PROGRAMME		2,739,000	17,000	2,756,000	346,003	0

Capital Programme 2016/17

	Funding SBC / P	2016/17 Original Budget £	Other Adjustments £	2016/17 Working Budget £	2016/17 Actual to End of June 2016 £	2016/17 Projected Variance £
<u>ECONOMY & COMMUNITIES - C.HUDSON</u>						
CCTV - Repairs & Renewals Reserve	SBC	15,000		15,000	0	
<i>Easthall Farm Community Centre - S106</i>	<i>P</i>	<i>964,000</i>		<i>964,000</i>	<i>13,538</i>	
Faversham Pools - Capital Receipts	SBC	150,000		150,000	0	
The Mill Project, Sittingbourne Skate Park - Capital Receipts	SBC	200,000		200,000	0	
Faversham Creek Basin Regeneration Project (swing bridge) - Capital Receipts	SBC	200,000		200,000	0	
TOTAL ECONOMY & COMMUNITIES		1,529,000	0	1,529,000	13,538	0
<u>COMMISSIONING & CUSTOMER CONTACT - D.THOMAS</u>						
Car Park Machines - Reserves	SBC	15,000		15,000	0	
TOTAL COMMISSIONING & CUSTOMER CONTACT		15,000	0	15,000	0	0
<u>CORPORATE SERVICES - MARK RADFORD</u>						
Uniform Licencing Implementation	SBC		17,000	17,000	8,500	
TOTAL CORPORATE SERVICES		0	17,000	17,000	8,500	0

Capital Programme 2016/17

	Funding SBC / P	2016/17 Original Budget £	Other Adjustments £	2016/17 Working Budget £	2016/17 Actual to End of June 2016 £	2016/17 Projected Variance £
ENVIRONMENTAL HEALTH - T.BEATTIE						
Replacement of Air Quality Stations - Capital Receipts	SBC	55,000		55,000		
TOTAL ENVIRONMENTAL HEALTH		55,000	0	55,000	0	0
RESIDENT SERVICES - A. CHRISTOU						
<i>DFG Mandatory Grants (CLG)</i>	<i>P</i>	<i>1,140,000</i>		1,140,000	302,625	
HRG - Housing Repair Grants Over 60	SBC	0		0	1,360	
RHB2 - Decent Home Loans Owner Occupier	SBC	0		0	19,913	
Temporary Accommodation - Reserves	SBC	0		0	67	
TOTAL RESIDENT SERVICES		1,140,000	0	1,140,000	323,965	0