Policy & Resources Committee	27 June 2018

Revenue and Capital Outturn 2017/18

Final Decision-Maker	Policy and Resources Committee
Lead Head of Service/Lead Director	Mark Green, Director of Finance & Business Improvement
Lead Officer and Report Author	Ellie Dunnet, Head of Finance
Classification	Public
Wards affected	All

Executive Summary

This report provides the Committee with an overview of the revenue and capital budgets and outturn at the end of 2017/18. The figures included within the report are still subject to external audit so should be considered provisional at this stage. The report also includes an update on other matters which may have a material impact on the Council's Medium Term Financial Strategy and Balance Sheet.

The Council has ended 2017/18 with an overall positive variance of £185,000 against its revenue budget, after deducting resources to be carried forward.

The Council spent £11.9 million against the planned capital programme during 2017/18, compared with a revised estimate of £14.0 million. Unspent resources required in subsequent years will be carried forward.

This report makes the following recommendations to this Committee:

1. That the revenue position of the Council at the end of 2017/18 as set out within **Appendix 1** is noted;
2. That the revenue resources to be carried forward into the current financial year, detailed at **Appendix 2**, are noted;
3. That the write off of uncollectable debt totalling £13,750 be approved;
4. That the 2017/18 underspend of £185,000 is ringfenced within General Fund balances for one-off expenditure that is required to deliver Council strategic objectives, with a report back to the next meeting of the Committee setting out specific proposals;
5. That the Committee receives a report setting out how it is proposed to use the Kent Business Rates Pool surplus to promote the Council's economic development strategy and as a Growth Fund, as set out in paragraph 1.6;
6. That the use of the 2016/17 underspend detailed at paragraph 1.18 is noted;
7. That the capital outturn and slippage within the capital programme in 2017/18, detailed in **Appendix 3**, are noted;
8. That the performance of the Collection Fund and the level of balances at the 31st March 2018 is noted;

9. That the write-off of unpaid business rates as set out in **Appendix 4** is approved; and
10. That the performance in relation to the Treasury Management Strategy for the final quarter of 2017/18 is noted.

Timetable	
Meeting	***Date***
Heritage, Culture & Leisure Committee	5 June 2018
Strategic Planning, Sustainability & Transportation Committee	12 June 2018
Communities, Housing & Environment Committee	19 June 2018
Policy & Resources Committee	27 June 2018

Revenue and Capital Outturn 2017/18

1. INTRODUCTION AND BACKGROUND

1.1 The Medium Term Financial Strategy for 2017/18 onwards was agreed by full Council on 1 March 2017. This report advises and updates the Committee on how each service has performed in regards to revenue and capital expenditure against the approved budgets within its remit.

1.2 The Director of Finance & Business Improvement is the Responsible Financial Officer, and has overall responsibility for budgetary control and financial management. However in practice, day to day budgetary control is delegated to service managers, with assistance and advice from their director and the finance section.

Revenue Budget

1.3 Attached at **Appendix 1** is a table detailing the budget and expenditure position in relation to 2017/18. The appendix details the net budget for all service committees including this one. Actual expenditure is shown to the end of March 2018 and includes accruals for goods and services received but not yet paid for.

1.4 The columns of the table in the Appendix show the following detail:

a) The service committee;
b) The value of the total budget for the year;
c) Amounts to be carried forward from 2017/18 to 2018/19, and amounts which are ring fenced to certain services under legislation;
d) Adjusted budget for the year (original budget less amounts carried forward);
e) Actual expenditure and income for the year; and
f) The variance between the total spend and the adjusted budget.

1.5 The figures are analysed in three ways and set out in three tables which show the following levels of detail:

Table 1: by Committee;
Table 2: by Priority
Table 3: by Expenditure Type.

1.6 **Appendix 1** shows that the Council ended the year with an overall underspend against its revenue budgets of £185,000. This is the position after adjustments made for resources to be carried forward or ring fenced to a particular service under legislation or policy.

1.7 The Council used £9.8 million of revenue resources to fund the capital programme during 2017/18. These resources derive from New Homes Bonus payments that have been set aside for capital expenditure. £4 million of this represents revenue resources received or set aside during the year, with the remainder being funded from amounts previously set aside for this purpose.

1.8 £638,000 has been transferred to earmarked balances relating to growth retained through the Kent Business Rates Pool. This represents £319,000, being the Council's 30% share of the pool surplus, which the Committee has previously agreed will be used to progress the economic development strategy; and a further £319,000, being the 30% Business Rates Pool Growth Fund. This will be spent in consultation with Kent County Council and has previously been earmarked for the Maidstone East development. It is recommended that the Committee receives a further report setting out proposals for expenditure to support the economic development strategy, and reporting on Growth Fund proposals.

1.9 **Appendix 2** details the resources which have not been utilised during 2017/18, but which are required to fund expenditure in subsequent years and are therefore being carried forward into 2018/19. This includes grants and a small number of specific carry forwards which have been agreed by the Director of Finance and Business Improvement in line with the Council's Financial Procedure Rules.

1.10 Explanations for variances within individual cost centres which exceed £30,000 have been provided below in accordance with the Council's constitution. These have been considered by the relevant service committees throughout June. Where the variance relates to a shared service, only the Maidstone share of the variance is reported.

	Positive Variance £000	**Adverse Variance £000**
Heritage, Culture & Leisure Committee		
Museum – This variance relates to staff vacancies and associated recharges.	43	
Leisure Centre – The budget includes cost savings from installation of solar panels that were over-estimated. Monitoring of the installation is taking place to identify any reasons for under-performance. Utilities charges amounting to £14,000 are also reflected in this area, although this is currently under query with the contractor.		-53
Parks & Open Spaces - The variance is a combination of staff vacancies, an underspend on running costs and additional income above the budget for grounds maintenance. There was also an underspend on the budget for trees, as a consequence of vacancies during the year.	59	

	Positive Variance £000	Adverse Variance £000
Playground Maintenance & Improvements - This variance is a consequence of reduced maintenance costs following the recent programme of play area capital works.	74	
Mote Park – The variance has arisen from a combination of factors including higher than budgeted costs for water due to a leak which occurred during August, underachievement of income and the need to undertake a tree survey during the year.		-55
Mote Park Café – The variance arose from the transfer of the contract to new management taking longer than anticipated. These arrangements have now been finalised.		-36
Cemetery – The variance reflects higher than budgeted income, and a vacant post in this area. A business case is currently being developed for investment in the cemetery to improve facilities and generate further income growth.	74	
Market - The adverse variance has arisen from unachieved income in this area, with the most notable shortfall arising from the Tuesday market. This is a continuation of the trend observed in previous years and nationally, which indicates this to be a declining sector. This has been incorporated into the budget for 2018/19 which reflects a reduced income target. Officers are looking at alternative revenue generating opportunities. The other contributor to the increased adverse variance is the service charge for 2017/18 which has increased by 25%.		-39

	Positive Variance £000	Adverse Variance £000
Strategic Planning, Sustainability & Transportation Committee		
Pay & Display Car Parks – Income from pay and display and season tickets has continued to outperform against the budget, in line with previous projections. The variances are particularly significant for Lockmeadow and King Street car parks. It should be noted that the reported variance incorporates adverse variances for Sandling Road (Maidstone East) and Mote Park car parks. This has been offset against the overall underspend.	305	
Development Control Applications – Total planning fee income generated was in line with the budget. This is in spite of the fact that the budget assumed that an increase in fees, introduced by the government, would take place in July 2017, and the increase did not in fact take place until January 2018. There is a favourable variance because the budget assumed that the planning fee increase would be used to fund additional expenditure, whilst in the event the expenditure budget relating to the fee increase was only partially utilised during the year.	107	
Development Control Appeals – This variance includes a provision of £296,300 for anticipated costs in relation to a number of ongoing appeal cases, which has meant that the budget has been exceeded.		-100
Development Management Enforcement – Agency costs required to cover staff absence have given rise to the overspend in this area.		-35
Spatial Policy Planning– The variance relates to staff costs due to vacant posts. This budget is required and it is anticipated that it will be utilised during 2018/19.	63	

	Positive Variance £000	Adverse Variance £000
Building Regulations – Income continues to be above budget in this area, and the underspend is expected to continue through to the end of the year. It should be noted that this service is required to break even on a rolling three year basis.	40	
Communities, Housing & Environment Committee		
CCTV – the overspend has arisen from a combination of factors including an income budget of £21,000 that was not met, a savings target of £73,300 that wasn't met in the year and approximately £29,000 unexpected expenditure relating to CCTV.		-117
Public Conveniences – The overspend has arisen from the transition between direct and contracted out services. The contract is fully funded for 18/19.		-35
Street Cleansing - This overspend relates to overtime and additional contractor costs due to staff sickness and there has been additional spend on fly-tipping and materials.		-64
Commercial Waste – The favourable variance is due to income exceeding the budget, particularly internal trade waste collection.	35	
Recycling Collection – The favourable variance is due to a mixture of income exceeding the budget and an underspend on running cost budgets.	46	
Homelessness – There is an overall underspend on homelessness, following an increase of £235,000 in the budget in 2017/18. The underspend comprises a £22,000 underspend on deposit bond schemes, £123,000 underspend on the Homefinder scheme, £28,000 underspend on professional services and a £15,000 underspend on marketing. This is offset by a £28,000 overspend on overnight accommodation, a £57,000 shortfall on income, and £43,000 provision and write-offs in relation to irrecoverable rent.	63	

	Positive Variance £000	Adverse Variance £000
Community Partnerships & Resilience – The underspend is largely due to vacant posts and maternity leave.	63	
Fleet Workshop & Management – There is a favourable variance caused by unspent operating lease budget. Leases have come to an end and we now own the equipment outright.	30	
Grounds Maintenance – Commercial The commercial side of Grounds Maintenance is doing well in delivering external projects i.e. S106, NHS and KCC.	80	
Policy & Resource Committee		
Contingency – This underspend relates to contingency funding which was set aside but not utilised during 2017/18, and also savings which have been delivered in advance of the timescales set out in the medium term financial strategy.	294	
Unapportionable Central Overheads – An underspend has arisen in this area due to pension and other staff related costs which were lower than budgeted during the year.	69	
NNDR Collection – The overspend relates to NNDR costs written off during the year in excess of the provision made at the end of 2016/17.		-40
Elections - The underspend relates to the unspent borough elections budget as no borough elections were held in 2017/18.	70	
Interest & Investment Income - As was previously reported, returns have continued to be lower than budgeted and have not improved since the end of the 3rd quarter. The 2018/19 budget has been adjusted to reflect this.		-100
Sundry Corporate Properties - Unbudgeted costs totalling £60,994 for the MBC share of Royal Mail Depot have led to an overspend in this area.		-40

	Positive Variance £000	Adverse Variance £000
Phoenix Park – There are a number of vacant properties on this trading estate. However, they are being marketed actively and we do not expect there to be an ongoing shortfall.		-53
Granada House (Residential) – There is a shortfall against the original income budget which is being closely monitored.		-36
Legal Services Section – Income from fees and charges has been higher than budgeted resulting in a positive variance.	33	
Rent Allowances – The variance has been created by an excess of written back rent allowances.	86	
Discretionary Housing Payments – The variance has arisen as expenditure in this area was lower than anticipated.	32	
Procurement Section – This area continues to be overspent due to an unmet income target. This budget will be amended in 2018/19 by reducing costs to offset the unmet income budget.		-54
Maidstone Link – An underspend on running costs and over achievement against the income budget has led to the favourable variance in this area.	47	
IT Operational Services – The underspend relates to a budget for equipment purchases which was underutilised during the year.	35	
Internal Printing – The overspend is a consequence of internal income from recharges being lower than anticipated. This has been corrected in the 2018/19 budget.		-70
The underspends in the following areas have all arisen from posts which were vacant during the year:		
Facilities & Corporate Support	35	
Mid Kent ICT	62	
Mid Kent HR	33	
Youth Development Programme	43	

Table 1: Summary of significant variances by committee

Write Off

1.11 The Committee is asked to approve a write off of income following a dispute over contract payments. In order to achieve a resolution of the dispute and to obtain payment of the substantive amount outstanding, it is proposed that £13,750 be written off.

Reportable Virements

1.12 In accordance with best practice, virements are reported to this committee as part of quarterly budget monitoring. A virement represents the transfer of a budget between objectives that occurs subsequent to the formal approval of the budget by Council. The following reportable virements were made during the final quarter of 2017/18:

Reason	Value £	Temp/Perm*
Transfer Parks budgets from Head of Regeneration & Economic Development to Head of Environment & Public Realm	20,500	Permanent
Funding transferred from business rates pool to fund economic development strategy	16,520	Temporary
Funding for works in Fant Hall (electrics)	4,750	Temporary
Transfer of funding for Penenden Heath Botanical Garden	6,960	Temporary

Table 2: Reportable virements

* Temporary virements represent one-off budget transfers to fund a discrete project or purchase. Permanent virements reflect alterations to the base budget which will be carried forward into subsequent years.

Revenue Underspend

1.13 The overall position for 2017/18, after write-offs and adjustments for amounts to be carried forward, is an underspend of £185,000 against the budget. Policy and Resources Committee is responsible for co-ordinating financial management across the Council and it is therefore appropriate for the Committee to make a decision about the allocation of the underspend.

1.14 Heritage, Culture and Leisure Committee recommended at its meeting on 5th June 2018 that the Policy and Resources Committee approve the allocation of up to £75,000 from the underspend to review a number of areas under the HCL Committee's remit, including the Arts, Sports, Accessibility and a Fundraising Strategy.

1.15 Policy and Resources Committee is invited to consider the recommendation of the Heritage, Culture and Leisure Committee, and to make an overall decision about the allocation of the underspend. The recommendation in this report is that the underspend is earmarked for one-off expenditure to deliver Council strategic objectives, with a report back to the next Committee setting out detailed proposals.

Reserves & Balances

1.16 The total of earmarked reserves and general fund balances as at 31st March 2018 was £11.9 million. The makeup of this balance, and movements during 2017-18 are set out in the table below:

	1st April 2017 £000	Contributions to/from Balances £000	31st March 2018 £000
New Homes Bonus funding for Capital	7,215	(5,811)	1,404
Local Plan	336	(136)	200
Neighbourhood Planning	64	6	70
Trading Accounts	243	(192)	51
Business Rates Growth	158	535	694
Total Earmarked Reserves	**8,016**	**(5,598)**	**2,419**
Asset Replacement	200	(200)	0
Planning Management	30	(30)	0
Commercialisation – contingency	500	0	500
Invest to Save projects	500	0	500
Amounts carried forward from 2016/17	1,254	(838)	416
Amounts carried forward into 2018/19	0	1,057	1,057
Unallocated Balances	6,843	185	7,028
Total General Fund Balance	**17,343**	**(5,424)**	**11,920**

Table 3: General Fund & Earmarked Balances

1.17 The closing position allows for the minimum level of general balances of £2m, as agreed by Council in March 2018, to be maintained.

1.18 At its meeting on 28 June 2017, this Committee agreed to earmark the £89,000 underspend for 2016-17 for any further one-off expenditure that is required to deliver the three key action areas for 2017/18. The Corporate Leadership Team has since agreed to allocate £30,000 of this total to progress feasibility work relating to the establishment of an Innovation Hub situated on Kent Medical Campus.

Capital Budget

1.19 The capital programme was approved by Council on 1 March 2017. Funding for the programme remains consistent with previous decisions of Council in that the majority of capital resources come from New Homes Bonus along with a small grants budget.

1.20 The 2017/18 capital programme for this Committee is set out in **Appendix 3**. The revised estimate for 2017/18 includes resources brought forward from 2016/17.

1.21 The Council has the necessary resources to manage the programme in 2017/18, with the majority of funding coming from New Homes Bonus. However it is projected that the balance of that funding will be used during the course of next year, therefore it may be necessary to borrow to fund any further expenditure. Approval for borrowing has previously been agreed and factored into the programme funding.

1.22 Expenditure of £11.9m has been incurred for 2017/18 against a budget £14m. Unspent budgets totalling £2.1m have been carried forward into 2018/19.

Collection Fund

1.23 The council is increasingly reliant on income generated through Council Tax and Business Rates, which is accounted for through the Collection Fund. Due to the risks in this area, including the risk of non-collection and the pooling arrangements in place for business rates growth, the Council monitors the Collection Fund carefully.

1.24 The collection rates achieved are reported below, alongside the target for the year, and the actual amount collected. The rates are given as a percentage of the debt targeted for collection in the third quarter of 2017-18:

	Target %	Actual %	Amount Collected
Council Tax	98.00%	97.90%	£103,015,077
Business Rates	97.95%	98.60%	£56,744,938

Table 4 : Collection Rates for Council Tax and Business Rates, 2017-18

1.25 The target was over achieved for business rates, but narrowly missed for council tax. Although as a percentage of the overall total, the variance appears small, the sums involved are significant and officers are therefore monitoring this closely.

1.26 The Head of the Revenues and Benefits Partnership follows a recovery timetable and action will continue to be taken after the year end. Officers will continue to pursue payment of any developing arrears along with the arrears from prior years.

1.27 Income from retained business rates growth is slightly higher than forecast, due to a reduction in the level of provision held for appeals following settlement of a significant number of cases at a lower rate than forecast. This is a volatile area of income which can be difficult to predict, with particular uncertainty surrounding appeals which arise against the 2017 list due to changes in the process for how appeals are dealt with by the Valuation Office Agency. A prudent provision is maintained in order to minimise the impact of appeals on the Council’s income.

1.28 Growth in business rates measured against the Council's baseline is £2.3 million against a forecast of £2.0 million. There is a further benefit from membership of the Kent Business Rates Pool for 2017-18, amounting to £1.1 million, which represents the difference between the levy of 50% which would have been payable on business rates growth if the council were not part of the pool, compared with the 3.115% payable as a pool member. Of the £1.1 million, £638,000 (60%) has been retained by the Council, comprising £319,000 (30%), which is the Council's own share of the pool surplus and a further £319,000 (30%), being the Business Rates Pool Growth Fund.

Irrecoverable business rates

1.29 The committee are asked to approve the write off of £152,917.40 unpaid business rates debt identified in **Appendix 4**. Please note that information relating to individuals is restricted under the Data Protection Act and has therefore been redacted from this appendix.

1.30 As noted above, the council takes a robust approach to recovery of business rates. This involves progressive action which would typically include:

- Reminder for non-payment
- Final notice for non-payment
- Summons for non-payment
- Application to the Magistrates Court for a liability order
- Instruction of an enforcement agent to recover
- Bankruptcy or liquidation, where appropriate
- Proceeding to seek committal to prison (individuals)

1.31 Throughout the process the Council actively encourages contact from any business experiencing difficulty in order to negotiate arrangement for payment.

1.32 The Council could continue to hold these debts as outstanding, but this option is not recommended as there is no prospect of recovery and this would distort the financial position of the Council.

1.33 For the businesses listed in **Appendix 4**, the Council has exhausted all of the recovery processes in trying to collect the unpaid amounts. It is therefore suggested that these amounts are written off and the Council's accounts are amended to reflect the fact that the payments identified are not expected to be recovered. The Council maintains a provision for bad debts, and there is sufficient resource available within this balance to cover the value of the proposed write offs.

Treasury Management

1.34 The Council has adopted the Treasury Management in Public Services: Code of Practice 2011 Edition (The Code) into its Financial Regulations. The Code covers the principles and guidelines relating to borrowing and investment operations. In March 2017, the Council approved a Treasury Management Strategy for 2017/18 that was based on this code. The strategy requires that Policy and Resources Committee should formally be informed of Treasury Management activities quarterly as part of budget monitoring.

1.35 During the Quarter ended 31st March 2018:

- UK Consumer Price Inflation (CPI) index fell back to 2.7% after rising to 3.1% in November. The Government are keen to reduce inflation down to 2%, which was largely the reason why the Bank Rate was increased by 0.25% in November.
- The number of unemployed in the economy remained at 4.3% from December 2017.
- The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates as at 31st March 2018 were 0.43%, 0.72% and 1.12% respectively.
- 5-year gilts had risen to 1.65% by the end of March. 10-year gilt yields also rose to 1.65% by mid-February before falling back to 1.35% at year-end. 20 year gilt yields peaked to highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.
- In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.
- In March, following Arlingclose's advice, the Authority removed RBS plc and National Westminster Bank from its counterparty list. This did not reflect any change to the creditworthiness of either bank, but a tightening in Arlingclose's recommended minimum credit rating criteria to A- from BBB+ for FY 2018-19. The current long-term ratings of RBS and NatWest do not meet this minimum criteria, although if following ring-fencing NatWest is upgraded, the bank would be reinstated on the Authority's lending list.

1.36 The table below shows a projection from Arlingclose, the Council's treasury management advisor on future rates:

	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-mth money market rate													
Upside risk	0.05	0.10	0.10	0.10	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.60	0.85	0.90	1.10	1.15	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Downside risk	-0.05	-0.30	-0.35	-0.55	-0.60	-0.80	-0.80	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
1-yr money market rate													
Upside risk	0.10	0.20	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Arlingclose Central Case	0.90	1.05	1.10	1.20	1.30	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Downside risk	-0.20	-0.35	-0.40	-0.50	-0.60	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5-yr gilt yield													
Upside risk	0.15	0.15	0.15	0.20	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Arlingclose Central Case	1.20	1.30	1.40	1.50	1.60	1.65	1.65	1.65	1.65	1.60	1.55	1.55	1.55
Downside risk	-0.25	-0.30	-0.40	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60
10-yr gilt yield													
Upside risk	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Arlingclose Central Case	1.55	1.65	1.75	1.85	1.90	1.90	1.90	1.90	1.90	1.85	1.85	1.85	1.85
Downside risk	-0.30	-0.35	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
20-yr gilt yield													
Upside risk	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Arlingclose Central Case	1.95	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Downside risk	-0.35	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45
50-yr gilt yield													
Upside risk	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Arlingclose Central Case	1.80	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.90	1.90
Downside risk	-0.30	-0.35	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45

Table 5: Arlingclose interest rate projection

- The MPC had increased Bank Rate back in November 2017 and Arlingclose are expecting another 0.25% rise by September 2018 due to MPC maintaining expectations that a rate rise will happen.

- Arlingclose's central case is for Bank Rate is to rise once in 2018 and twice more in 2019, however the risks are weighted to the downside.

- Gilt yields have been volatile, but remain historically low. It's expected that some upward movement from current levels based on the above interest rate projections.

<u>Investments</u>

1.37 At 31 March 2018, the Council held investments totalling £17.4m. A full list of these investments can be found in **Appendix 4**. All investments during the year have been short term which has complied with the current strategy.

1.38 Total investment income for 2017/18 is £120k with an average rate of 0.44% on investments.

<u>Borrowing</u>

1.39 The Council required some short term borrowing in this period, which was due to short term liquidity issues near the year end.

2. AVAILABLE OPTIONS

2.1 The principal matters covered by this report are for noting rather than for decision. The Committee is asked to note these matters and may choose to take further action as appropriate.

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3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

3.1 In considering the current position on the revenue budget and the capital programme at the end of 2017/18 the Committee can choose to note this information or it could choose to take further action.

3.2 The committee is requested to note the content of the report and agree on any necessary action to be taken in relation to the budget position.

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4. RISK

4.1 This report is presented for information only and has no risk management implications.

4.2 The Council has produced a balanced budget for both capital and revenue expenditure and income for 2018/19. This budget is set against a backdrop of limited resources and a difficult economic climate. Regular and comprehensive monitoring of the type included in this report ensures early warning of significant issues that may place the Council at financial risk. This gives this committee the best opportunity to take actions to mitigate such risks.

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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 No consultation has been undertaken in relation to this report. The fourth quarter budget monitoring reports have been considered by the relevant Service Committees throughout June.

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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 The overall outturn for the year ended 31 March 2018 will be reported as part of the Council's Statement of Accounts, which will be presented to the Audit, Governance and Standards Committee for approval at its meeting 30 July 2018. The Statement of Accounts will be audited and is due to be approved by 31 July 2018 at the latest.

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7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	This report monitors actual activity against the revenue budget and other financial matters set by Council for the financial year. The budget is set in accordance with the Council's Medium Term Financial Strategy which is linked to the strategic plan and corporate priorities.	Director of Finance & Business Improvement
Risk Management	This has been addressed in section 4 of the report.	Director of Finance & Business Improvement
Financial	Financial implications are the focus of this report through high level budget monitoring. The process of budget monitoring ensures that services can react quickly to potential resource problems. The process ensures that the Council is not faced by corporate financial problems that may prejudice the delivery of strategic priorities.	Director of Finance & Business Improvement
Staffing	The budget for staffing represents a significant proportion of the direct spend of the council and is carefully monitored. Any issues in relation to employee costs will be raised in this and future monitoring reports.	Director of Finance & Business Improvement
Legal	The Council has a statutory obligation to maintain a balanced budget and this monitoring process enables the committee to remain aware of issues and the process to be taken to maintain a balanced budget for the year.	Mid Kent Legal

Privacy and Data Protection	No specific issues arise.	Director of Finance & Business Improvement
Equalities	The budget ensures the focus of resources into areas of need as identified in the Council's strategic priorities. This monitoring report ensures that the budget is delivering services to meet those needs.	Director of Finance & Business Improvement
Crime and Disorder	No specific issues arise.	Director of Finance & Business Improvement
Procurement	No specific issues arise.	Director of Finance & Business Improvement

8. REPORT APPENDICES

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

- Appendix 1: Revenue Outturn 2017/18
- Appendix 2: Carry Forward of Revenue Resources 2017/18
- Appendix 3: Capital Programme 2017/18
- Appendix 4: Business Rates Write Offs June 2018
- Appendix 5: List of investments as at 31 March 2018

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9. BACKGROUND PAPERS

None