

Cabinet

10 September 2020

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Revenue Management: Quarter 1 (to 30 June 2020)

Final Decision-Maker	Cabinet
Portfolio Holder(s)	Councillor Tom Dawlings – Portfolio Holder for Finance and Governance
Lead Director	Lee Colyer – Director of Finance, Policy & Development
Head of Service	Jane Fineman – Head of Finance, Procurement & Parking
Lead Officer/Report Author	Clare Hazard – Accountancy Manager
Classification	Non-Exempt
Wards affected	Not Applicable

This report makes the following recommendations to the final decision-maker:

1. That at Quarter 1 the net expenditure on services year to date was £4,299,000, £1,591,000 more than forecast, be noted;
2. That by year end the Council anticipates net expenditure of £18,012,000 on services, £5,806,000 over budget, be noted;
3. That by year end the Council anticipates receiving an increase in funding of £3,950,000, which reduces the deficit to £1,856,000 over budget, be noted;
4. That Cabinet make available £6,658,000 of reserves to close the budget deficit, with the final allocation between specific reserves being made once the actual budget position is known at the year end, and to hold the reserve balances as available until then.

This report relates to the following corporate priorities:

- A Prosperous Borough
- A Green Borough
- A Confident Borough

Timetable

Meeting	Date
Management Board	12 August 2020 (Verbal update)
Discussion with Portfolio Holder	18 August 2020
Cabinet Advisory Board	Cancelled due to COVID-19 pandemic, replaced by Overview & Scrutiny 24 August 20
Cabinet	10 September 2020

Revenue Management: Quarter 1 (to 30 June 2020)

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report shows the actual expenditure on services compared to the revised budget for the period ended 30 June 2020, and the forecast outturn position, highlighting significant variances from the revised annual budget.
 - 1.2 The net expenditure on services for the year is forecast to be £18,012,000 which is an over spend against budget of £5,806,000.
 - 1.3 The funding the Council expects to receive has increased by £3,950,000 which reduces the deficit for the year to £1,856,000.
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2. INTRODUCTION AND BACKGROUND

Financial Approach to Covid-19 Pandemic

- 2.1 On 18 March 2020 the Government published the draft Covid-19 Bill which, in effect, closed much of the national economy with the exception of essential public services and those businesses that could operate remotely.
- 2.2 The Council acted swiftly, both as a Category One responder under the Civil Contingencies Act to support the community and in determining an approach to manage the impact on the Council's finances.
- 2.3 The impact to 30 June 2020 is set out within this report and builds on the Financial Update Covid-19 report to Cabinet on 25 June 2020. The Council continues to work at pace on what is a fluid situation and projections are updated monthly taking account of:
 - Actual income and expenditure
 - Economic data
 - Government Support
- 2.4 On a quarterly basis Cabinet have the ability to revise the in-year budget as part of the scheduled quarterly financial management reports. In addition to efficiency savings, the main options available to Cabinet include:
 - Reallocation of Reserves – identify redeployable earmarked reserves;
 - Capital Programme – defer schemes within the Capital Programme; and
 - Borrowing – keep open the option of borrowing internally and externally
- 2.5 This approach continues to hold true and accords with Government advice that councils should not make drastic decisions to bring their budgets back into balance. The Government has committed to provide councils with the financial resources they require to deliver essential local services.

Summary Outturn – See Appendix A

- 2.6 Appendix A shows the overall income and expenditure on services forecast outturn position as at 30 June 2020. Total income and expenditure on services can be seen in greater detail within Appendix B, which provides information per service area. The approved budget was set by Full Council on 26 February 2020 and does not change.

The revised budget is used to record virements amongst service areas and from reserves, whilst the forecast outturn is used to record the reporting of savings, overspends and allocations from reserves.

- 2.7 It can be seen that the forecast outturn for expenditure on services is £18,012,000 which is £5,806,000 over budget. The various movements to forecast can be seen in Appendix C. It can also be seen that the net funding for the year has increased by £3,950,000, comprising £5,047,000 of additional funding from Government, less £272,000 in investment income and £825,000 forecast underachievement in Council Tax recovery. This reduces the budget deficit to £1,856,000.
- 2.8 Investment interest is forecast to be £187,000 under budget for the year. The forecast has fallen due to the cut in interest rates and is based on an overall interest rate of 1.04% and average funds of £43 million. The outstanding PWLB loan is now £1 million, but will be fully repaid in July. Interest is being paid at 2.38%, the total cost of which is £7,000 for 2020/21. The remaining £85,000 shortfall in the investment income is due to the tenant of 33 Monson Road (Azzurri Ltd) going into administration following the period of lockdown.
- 2.9 It is forecast that the Council will receive net additional Covid funding of £5,047,000 during the year from the Government. The Council has already received grants of £1,499,000 to address immediate coronavirus pressures. The Government will also compensate the Council for income losses from fees and charges due to the pandemic. The Council will need to absorb the first 5% of the budgeted income for these losses, with the Government compensating for 75p in every £1 of any further loss. An estimate of £3,548,000 has been made as to the amount that the Council should be compensated due to its income losses.
- 2.10 The implications of Covid-19 on costs and income are changing daily and it is likely that there will be changes following the publication of this report which will be updated verbally at the meeting. Since the preparation of the figures the decision has been taken to extend the closure of the theatre to at least April 2021 and the Council is in discussions with Fusion Lifestyle, who manage the sports centres, about providing them with financial support. The effects of these changes will be included in the next quarter's report.

Usable Reserves – See Appendix D

- 2.11 Appendix D shows all usable reserves including the earmarked reserves. Usable reserves are those that the Council can use to provide services, subject to the need to maintain an overall prudent level of reserves. Earmarked reserves are amounts set aside to meet identified, and sometimes committed, future liabilities.
- 2.12 As shown in Appendix D the Council had £21,229,000 of usable reserves as at 1 April 2020, including £11,261,000 of earmarked reserves. The earmarked reserves have been analysed to determine how much could be made available to be redeployed to meet the budget pressures resulting from Covid-19 and £6,658,000 has been identified.
- 2.13 The capital programme is funded from the Capital and Revenue Initiatives Reserve as well as from other specific earmarked reserves and this totals £2,361,000 for 2020/21. A number of capital schemes have been deferred from 2020/21 to 2021/22 to ease the pressure on reserves. The Council also has the option to borrow for capital schemes rather than funding them from earmarked reserves, leaving the reserves available for revenue pressures.

Financial Performance of Major Expenditure Accounts – See Appendix E

- 2.14 Alongside other UK theatres the Assembly Hall Theatre was closed in March in line with Government guidance. The theatre remains closed with tickets for shows to November being refunded, and the expectation being that it will not reopen until January 2021. A number of show related costs will therefore be saved including £996,000 of show fees, shown within Other Fees, £137,000 of promotion costs, shown within IT & Communications and £71,000 of bar stock, shown within Other Supplies & Services.
- 2.15 Other Supplies & Services also include a forecast of £336,000 for additional costs directly related to the Council's response to the coronavirus pandemic. This forecast covers the cost of setting up and running the Community Hub, supporting vulnerable residents and the additional costs of supporting homelessness.

Employee Related Costs – See Appendix F and G

- 2.16 Staff costs, including salaries, casual hours, national insurance and pensions, are forecast to be £271,000 under budget. The main projected changes within this are a saving of £115,000 for Planning staff vacancies and a saving of £96,000 for casual hours and vacancies at the Assembly Hall Theatre.
- 2.17 The vacancy factor is the saving created whilst a budgeted post is vacant and usually there is a requirement for Services to allocate their staff savings to this target. This requirement has been removed this year as each department will need to allocate any savings against income shortfalls or Covid cost pressures. £180,000 has therefore been projected as a shortfall in the vacancy factor target.
- 2.18 There is a saving of £48,000 projected for Other Employee Costs which is as a result of the Borough Election, due to be held on 7 May 2020, being postponed until 2021.

Income Streams – See Appendix H

- 2.19 Covid-19 has severely affected the Council's revenue streams and continues to do so. The impact of the loss of income from fees and charges, as shown in Appendix H, has been in the region of £850,000 per month for the first quarter. The loss for the year is difficult to accurately forecast as much is dependent upon the easing of the lockdown and the rate of the economic recovery. The assumption has been made that whilst losses will continue for the rest of 2020/21 they will start to decrease during Quarter 2 and then again further during Quarter 3.
- 2.20 The main forecast losses of income include the following:
- Off Street Parking - £2,807,000
 - Assembly Hall Theatre - £2,316,000
 - On Street Parking - £663,000
 - Planning - £350,000
 - Green Waste Income - £240,000
 - Land Charges - £115,000
- 2.21 Staff at the Assembly Hall Theatre have been furloughed, currently until the end of August, and therefore there has been a forecast of additional income of £79,000 included for the grant the Council will receive under the Job Retention Scheme.

Variances by Portfolio Holder– See Appendix I

- 2.22 This table shows variances by Cabinet Portfolio Holder.

Council Tax and Business Rates

- 2.23 The Council is a billing authority for Council Tax, which is collected on behalf of precepting bodies including Kent County Council, Kent Police and the Kent and Medway Fire & Rescue Services along with Town and Parish Councils. The total due for 2020/21 is £86.7 million of which £8.54 million is due to this Council.
- 2.24 The Council has forecast a potential loss of £825,000 for the collection of Council Tax. This is difficult to forecast accurately, but with the country in recession it is deemed prudent to forecast that it will take time for the payment rate to recover.
- 2.25 The Council is also the billing authority for Business Rates which are collected on behalf of the Government, TWBC, Kent County Council and the Kent and Medway Fire & Rescue Services. The total due for 2020/21 is £56.6 million of which £2.4 million is due to this Council.
- 2.26 The Government provides a business rates retail discount which, following the national lockdown on 23 March 2020, was extended to include retail, leisure and hospitality properties that had to close as a result of the restriction measures. The increase in the relief was in the region of £27.9 million, leaving just £28.7m to be collected for 2020/21. The relief will be compensated monthly through a Section 31 business rates relief grant.
- 2.27 The table below shows the Quarter 1 recovery rate for Council Tax to be 1.12% below target and 1.42% below collection rates at this time last year. The Quarter 1 recovery rate for Business Rates was above target by 0.29% and 0.77% below collection rates at this time last year.

Revenue Billing Stream	2020/21 Collection as at 30/06/2020	2020/21 Target as at 30/06/2020	2019/20 Collection as at 30/06/2020
Council Tax	27.88%	29.00%	29.30%
Business Rates	30.99%	30.70%	31.76%

3. AVAILABLE OPTIONS

- 3.1 This report is essentially for information.
- 3.2 The council could make significant cost savings through reductions to service provisions to avoid using earmarked reserves to fund the revenue budget in 2020/21. This would be against Government advice that councils should not make drastic decisions to bring their budgets back into balance

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 That Members acknowledge the forecast outturn position for the year and the variances to the revised budget and forecast outturn as at Quarter 1.
- 4.2 That Members make available £6,658,000 of reserves to close the budget deficit, with the final allocation between specific reserves being made once the actual budget position is known at year end, and to hold the reserve balances as available until then.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 The budget was approved by Full Council on 26 February 2020. Finance Officers have liaised with Heads of Service and where appropriate Cost Centre managers to ensure that the information provided is robust.

RECOMMENDATION FROM CABINET ADVISORY BOARD

- 5.2 The Finance and Governance Cabinet Advisory Board on 18 August 2020 was cancelled due to the COVID-19 pandemic. This was replaced by Overview and Scrutiny on 24 August 2020.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The decision will be published on the Council's website.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off (name of officer and date)
Legal including Human Rights Act	Under section 151 of the local government act (LGA 1972), the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including advising on the corporate financial position and providing financial information.	Patricia Narebor, Head of Legal Partnership
Finance and other resources	The report updates on the Authority's forecast outturn net revenue position compared to revised budget.	Jane Fineman, Head of Finance, Procurement & Parking
Staffing establishment	The report monitors the establishment to the post occupied.	Clare Hazard, Accountancy Manager
Risk management	To ensure that the unaudited outturn net revenue remains within the Council's Medium Term Financial Strategy.	Clare Hazard, Accountancy Manager
Environment and sustainability	There are no specific implications that arise from the process of Revenue Management over the fact that the budget supports the Council's priorities.	Clare Hazard, Accountancy Manager
Community safety	There are no specific implications that arise from the process of Revenue Management over the fact that the budget supports the Council's priorities.	Clare Hazard, Accountancy Manager
Health and Safety	There are no specific implications that arise from the process of Revenue Management over the fact that the budget supports the Council's	Clare Hazard, Accountancy Manager

	priorities.	
Health and wellbeing	There are no specific implications that arise from the process of Revenue Management over the fact that the budget supports the Council's priorities.	Clare Hazard, Accountancy Manager
Equalities	There are no specific implications that arise from the process of Revenue Management over the fact that the budget supports the Council's priorities.	Clare Hazard, Accountancy Manager

8. REPORT APPENDICES

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

Appendix A Overall Revenue and Net Expenditure on Services

Appendix B Net Expenditure on Services

Appendix C Key Variances

Appendix D Usable Reserves

Appendix E Financial Performance of Major Expenditure Accounts

Appendix F Employee Related Costs

Appendix G Headcount by Service

Appendix H Income Streams

Appendix I Variances by Portfolio Holder

9. BACKGROUND PAPERS

- Budget 2020/21 and Medium Term Financial Strategy Update – CAB 126/19
<https://democracy.tunbridgewells.gov.uk/meetings/documents/s46665/Budget%20202021.pdf>