

# Revenue Management: Quarter 4 (to 31 March 2021)

For Cabinet on 24 June 2021

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## Summary

**Lead Member:** Councillor Tom Dawlings, Portfolio Holder for Finance & Governance

**Lead Director:** Lee Colyer, Director of Finance, Policy & Development

**Head of Service:** Jane Fineman, Head of Finance, Procurement & Parking

**Report Author:** Clare Hazard, Accountancy Manager

**Classification:** Public document (non-exempt)

**Wards Affected:** All

Approval Timetable	Date
Management Board	27 May 2021 (Verbal update)
Portfolio Holder	
Finance & Governance Cabinet Advisory Board	8 June 2021
Cabinet	24 June 2021

## Recommendations

Officer / Committee recommendations as supported by the Portfolio Holder:

1. That Cabinet note the actual revenue expenditure outturn and impact on reserves for the year ended 31 March 2021.
2. That Cabinet note that the expected withdrawal from reserves of £1,585,000, to meet the forecast deficit at Quarter 3 will not be needed and a sum of £211,000 will be transferred to the General Fund.
3. That Cabinet agree a new charge for the administration of applications from site owners or managers of mobile homes, following new regulations coming into force on 1 July 2021.

# 1. Introduction and Background

- 1.1 This report shows the unaudited actual expenditure outturn on services compared to the revised budget for the period ended 31 March 2021, and the forecast outturn position, as at Quarter 3.
- 1.2 The actual outturn shows an overspend against the revised budget of £5,928,000. This comprises an underspend on expenditure of £1,848,000 offset by an underachievement of income of £7,776,000. The forecast as at Quarter 3 was a net overspend of £6,620,000 so this represents an improvement to the forecast of £692,000.
- 1.3 The net funding the Council received was £6,139,000 more than the revised budget, and this resulted in a sum of £211,000 (£192,000 from closing the Pensions Earmarked Reserve and £19,000 balancing surplus) being transferred to the General Fund. Overall, considering the huge financial challenges that Covid-19 created in 2020/21, the council has performed magnificently to manage their finances to an £19,000 surplus for the year.

# 2. Revenue Management to 31 March 2021

## Summary Outturn – Appendix A

- 2.1 Appendix A shows the overall income and expenditure on services forecast outturn position as at 31 March 2021. 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.
- 2.2 The actual outturn for expenditure on services was £18,214,000, £5,928,000 above the approved budget. This is an improvement from Quarter 3 of £692,000 which was forecasting an overspend of £6,620,000. This is the result of various movements as can be seen in Appendix C.
- 2.3 Investment interest and income was £109,000 under budget for the year, an improvement of £23,000 on the forecast of £132,000 under at Quarter 3. £22,000 of this increase was for investment interest and was due to the rate earned on the Property Fund improving over the last quarter. The Council's investment in the Fund has generated a net return of 4.98% which has contributed greatly to the interest amount achieved. The PWLB loan of £1 million, was repaid in July

and the interest for the year was a total cost of £7,000. A shortfall of £85,000 had been forecast in the investment income, due to the tenant of 33 Monson Road (Azzurri Ltd) going into administration following the period of lockdown. This was improved slightly, by £4,000, as the property has now been re-let to a new tenant.

- 2.4 A reduction in income of £825,000 had been forecast for losses of council tax income. This was difficult to predict but it was deemed prudent to forecast that payment rates may be down due to the pandemic. The collection rates have been below target, and below the actual for the previous year, but not by as much as thought. Also, as explained in paragraph 2.7, the Government is compensating for losses in Council Tax income and therefore the loss that has been deemed to be irrecoverable, after the compensation received, is £258,000. The deficit sits on the collection fund account, until it is recovered, and therefore does not show as an under achievement of income. Instead, a transfer has been made to earmarked reserves, to fund the deficit in future years.
- 2.5 In response to the coronavirus pandemic the Government expanded business rates retail relief by increasing it to 100% and extending it to the leisure and hospitality sectors. This resulted in an actual reduction of total income for the Collection Fund in the region of £28.8 million. The Council is reimbursed for the reliefs granted by Government through the payment of Section 31 grants. The payment of these grants, for the Tunbridge Wells proportion of the Collection Fund, which is 40% of the forecast (rather than actual) recoverable business rates, was £14.509 million and is shown within central grants.
- 2.6 The Government is compensating for losses in sales, fees and charges due to the pandemic. The Council must bear the first 5% of the lost budgeted income and the Government will compensate for 75p in every £1 thereafter. Compensation is based on net losses, so where the Council has been able to make costs savings, or has received other compensation, the compensation is based on the residual loss. A forecast was made at Quarter 3 that the Council would receive £4,270,000 from this scheme. To date £2,631,000 has been received with a further claim of £1,596,000 submitted in May, resulting in a total claim of £4,227,000. This is therefore £43,000 below the Quarter 3 forecast as some income streams improved over the last quarter meaning there was a lower loss entitled to be claimed.
- 2.7 In addition to the sales, fees and charges compensation Government also agreed to compensate Councils for 75% of irrecoverable losses in council tax and business rates income. The methodology for calculating these losses was only confirmed after the close of the year and had therefore not been included within the forecasts. The expected claim for this Council is around £1,309,000, £258,000 for Council Tax, as described in paragraph 2.4 and £1,051,000 for business rates. The Council also received grants of £1,429,000, to address the immediate coronavirus pressures, as well as £293,000 towards the cost of the new burdens that have been placed upon authorities.

## Usable Reserves – Appendix D

- 2.8 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.
- 2.9 The Capital and Revenue Initiatives Reserve is generally used to finance the capital programme, where it is financed from TWBC resources, and the property development programme. In 2020/21 the capital programme was financed mainly from capital receipts of £6,963,000 and therefore the Capital and Revenue Initiatives Reserve was not needed, although the reserve did fund £38,000 of the development programme. The conversion of the £100,000 Trinity capital grant to a revenue grant, has also been transacted through this reserve. A sum of £395,000 was transferred into the reserve to fund future capital projects and the reserve now has sufficient funds to finance the approved capital programme for 2021/22.
- 2.10 The capital programme is also funded from other specific earmarked reserves, and this totals £136,000 for 2020/21, being £111,000 from the ICT MKS Partnership reserve, £16,000 from the Invest to Save reserve and £9,000 from the Digital Transformation reserve. Several capital schemes were deferred from 2020/21 to 2021/22 to ease the pressure on reserves and cash flow.
- 2.11 A sum of £500,000 was transferred into the Local Plan reserve at year end to help meet costs of the plan over coming years.
- 2.12 The Government Grants reserve holds income received from Government, relating to specific projects, which is received in one year but is not able to be used until future periods. £360,000 of the reserve was used this year with £292,000 being transferred to the reserve from grants received during the year. The main transfers related to homelessness and rough sleeper costs where £282,000 was funded from the existing reserve and grants of £279,000, received in the year, were added to the reserve.
- 2.13 An amount of £192,000 was transferred to the Pension Settlement reserve as the final payment to reimburse the £2.024 million taken from reserves in 2012/13 to settle past pension liabilities. The reserve can now be closed, so the balance of £192,000 has been transferred to the General Fund.
- 2.14 The Council set up the Grant Volatility Reserve to manage fluctuations in Government grants from one year to the next. For 2020/21 a transfer of £1,160,000 was made into the reserve, as per the budget, which is the amount received for the New Homes Bonus.
- 2.15 As explained in paragraph 2.5 the Council received additional Section 31 grant payments as the Government expanded business rates reliefs in response to the pandemic. Due to the required accounting treatment, the additional S31 grants are held by the billing authority (TWBC) rather than going through the Collection Fund. Instead a deficit is held on the Collection Fund, which is then recovered

from the billing authority over future years. The Council has therefore transferred a sum of £15.140 million, into the Grant Volatility reserve, to meet the costs of its share of the deficit and this is shown in the transfer to earmarked reserves. It is important to note that the £15.140 million transferred for business rates and the £0.258 million transferred for council tax, explained in paragraph 2.4, is committed and is not available to spend despite being held at year end in a usable reserve.

- 2.16 A sum of £19,000 has been transferred into the general fund being the final surplus to budget following all the movements to reserves as described above. This means the closing balance on the general fund is £4.301 million.

## **Financial Performance of Major Expenditure Accounts – Appendix E**

- 2.17 Costs have been carefully managed across the Council to make savings where possible to close the budget gap from the under achievement of income. The actual outturn for expenditure accounts was an underspend of £741,000.
- 2.18 External contract payments were £228,000 over budget, a reduction of £113,000 on the forecast overspend of £341,000. An amount of £420,000 had been forecast for the agreed financial support, for Fusion Lifestyle, to facilitate the opening of the Council's three sports centres. This payment was reduced however, by £99,000, as the support provided was for the centres to reopen and due to further national restrictions, they were unable to do so for the full period.
- 2.19 Consultants and Legal Fees were overspent by £404,000 at the end of the year, of which £312,000 was for costs for the Local Plan and £21,000 for consultancy to verify Business Rates compliance. The Council has put aside money in a reserve, to meet the costs associated with the Local Plan, as the phasing of costs varies across the years. The Planning team had an underspend on their staff costs during 2020/21, due to vacancies, and it was therefore decided not to utilise the reserve for meeting the cost this year. This means the money will be available for use in later years.
- 2.20 The Assembly Hall Theatre was only able to open for a short period in the autumn, when restrictions were lifted temporarily. Cost savings were made, as shows were not taking place, and to mitigate the loss to budget from income. At Quarter 3 a saving of £1,492,000 was forecast, of which £1,256,000 was within Appendix E and £236,000 was shown within Appendix F, Employee Related Costs. At the end of the year the total staff saving was £242,000, an additional £6,000 since Quarter 3, and the saving within other expenditure was £1,344,000, an additional £88,000 since Quarter 3. The saving is shown within many of the lines within the table shown in Appendix E, with most of the saving, £1,087,000 being show fees to promoters which are in Other Costs.
- 2.21 Additional costs of £336,000 were forecast relating to the Council's response to the coronavirus pandemic, including setting up and running the Community Hub to support vulnerable residents. This forecast was shown within Other Supplies

and Services in Appendix E. The direct additional costs were £378,000 but around £145,000 of this was funded from various specific Covid-19 grant allocations and £121,000 was funded from existing budgets across the Council. The remaining £112,000 of costs is shown within a variety of lines in the table in Appendix E. It should also be noted that a significant amount of staff time has needed to be diverted to the Council's response to the pandemic and this was met from existing budgets and is therefore difficult to show or quantify.

## **Employee Related Costs – Appendix F and G**

- 2.22 The actual outturn for Employee Related costs was £1,107,000 under budget.
- 2.23 A saving of £952,000 was realised across salaries, casual hours, national insurance and pensions. Of this £716,000 had been forecast at Quarter 3 as savings from posts within the Assembly Hall Theatre, Parking Services, Food & Safety, Property, Gateway, Finance and Executive Directorate. The additional £236,000 saving comes from a further £57,000 from Food & Safety, £46,000 from Digital Services, a further £40,000 from Parking Services, £23,000 from Policy & Governance, £21,000 from the Crematorium, a further £20,000 from Property, as well as several small underspends across the Council.
- 2.24 Training costs show an underspend of £82,000 for the year. This was due to small savings made on the various training budgets held across the Council as the opportunities to attend courses and conferences have been limited whilst restrictions have been in place.

## **Income Streams– Appendix H**

- 2.25 Covid-19 has severely affected the Council's revenue streams and the impact of the loss of income from fees and charges, is shown in Appendix H. The actual outturn for income was £7,776,000 under budget.
- 2.26 Off Street Parking income had been forecast to be £3,512,000 lower than budget this year and ended up being £3,498,000 under budget, a slight improvement of £14,000. On Street Parking income had been forecast to be £652,000 under budget this year and ended up being £499,000 under budget, an improvement of £153,000. This was due to the number of fines issued being higher than forecast in Quarter 4, as public compliance had waned following lower levels of enforcement over the lockdown periods.
- 2.27 The forecast for income at the Assembly Hall Theatre had been reduced by £1,851,000, as the theatre had remained closed for most of the year, only being able to open for a short period in the autumn, when restrictions lifted. The actual income was £1,785,000 under budget, an improvement of £66,000. This was due to additional income from the Job Retention Scheme, for staff who continued to be furloughed, and income from the hire of the venue when it was used by the NHS as a Covid-19 testing centre.

- 2.28 Planning income was forecast to be £375,000 lower than budget, due to a reduction in planning applications received, but concluded £274,000 under budget, an improvement of £101,000. This included an increase of £57,000 from planning applications and £29,000 from several S106 agreements signed in March, for which a monitoring fee is charged.
- 2.29 Waste collection income was forecast to be £285,000 lower than budget and at year end was £269,000 under, a small improvement of £16,000. £222,000 of the reduction was due to green waste collection income, where the period for which subscriptions applied was extended by three months. The period was extended as green waste collections were suspended for a number of weeks during the first lockdown.
- 2.30 Other income was forecast to be £1,113,000 underachieved this year and concluded being £1,162,000 under achieved, a further reduction of £49,000. The main reductions against budget were £304,000 for income at the Ice Rink, which had to close due to national restrictions, £298,000 for charges for Council Tax and NNDR summonses and liability orders, as court hearings have not taken place, £289,000 for the Leisure Centre Management fee which it was agreed not to recover, and £114,000 for littering fines, which were not issued due to people staying at home.

## **Variances by Portfolio Holder– Appendix I**

- 2.31 The table in Appendix I shows variances by Cabinet Portfolio Holder.

## **Update to Fees and Charges**

- 2.32 On 1 July 2021 new regulations come into force which require owners or managers of most residential caravan parks to be registered as a 'fit and proper person'. The Council is required to keep a register of people who are considered 'fit and proper' to manage the parks in their area.
- 2.33 Between 1 July 2021 and 30 September 2021, the owners of all non-exempt residential parks in England must submit an application to the Council to be included on the register. The proposed new charge for the administration of the applications is £132, which is set to just cover costs, and is considered to be Non Business for VAT purposes.

## **Council Tax and Business Rates**

- 2.34 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.

- 2.35 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 Government provided 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 due to restrictions. The increase in the relief meant the amount collected for 2020/21 was £26.5 million, whereas in 2019/20 this amount was £55.3 million. The relief is compensated through a Section 31 business rates relief grant.
- 2.36 The table below shows the Quarter 4 recovery rate for Council Tax to be 0.85% below target and 0.59% below collection rates last year. The Quarter 4 recovery rate for Business Rates was below target by 2.19% and 1.42% below collection rates last year.

Revenue Billing Stream	2020/21 Collection as at 31/03/2021	2020/21 Target as at 31/03/2021	2019/20 Collection as at 31/03/2021
Council Tax	97.50%	98.35%	98.09%
Business Rates	96.61%	98.80%	98.03%

## Write Off/Excusal of Debts – Appendix J

- 2.37 Financial Procedure Rule (FPR) 6.2 regarding the excusal of debts requires a summary of debts written off by the Section 151 Officer to be reported to Cabinet on a regular basis.
- 2.38 Appendix J gives a complete analysis of all debts written off by the Council over the financial year 2020/21, of which there are 1,539 accounts totalling £451,205. This should be seen in the context of the £159,352,250 of income collected by the Council during the year meaning that only 0.28% is written off. It should be noted that whilst balances can be written off, they can be written back again either during the year or in future years should it subsequently become apparent that the sum is again recoverable.

## 3. Options Considered

- 3.1 This report is essentially for information.
- 3.2 Cabinet can approve the new charge for the administration of applications from site owners or managers of mobile homes or refuse.

## 4. Preferred Option and Reason

- 4.1 That Members acknowledge the unaudited actual revenue outturn for the year and the variances to the revised budget and forecast outturn as at Quarter 3.



- 4.2 That Members approve the proposed new charge for the administration of applications from site owners or managers of mobile homes as set out in the report.

## 5. Consultation on Options

- 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 & Governance Cabinet Advisory Board were consulted on 8 June 2021 and agreed the following:

*Insert text from Cabinet Advisory Board minute, or request text from Democratic Services Officer.*

## 6. Implementation

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

## 7. Appendices and Background Documents

Appendices:

- Appendix A: Overall Income and Expenditure in 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: Variance by Portfolio
- Appendix J: Debt Write Offs

Background Papers:

- Budget 2020/21 and Medium Term Financial Strategy Update – CAB126/19  
[https://democracy.tunbridgewells.gov.uk/meetings/documents/s46665/Budget%202020\\_21.pdf](https://democracy.tunbridgewells.gov.uk/meetings/documents/s46665/Budget%202020_21.pdf)
- Revenue Management: Quarter 1 (to 30 June 2020) – CAB24/20  
<https://democracy.tunbridgewells.gov.uk/meetings/documents/s49644/13%20Revenue%20Management%20Q1.pdf>
- Revenue Management: Quarter 2 (to 30 September 2020) – CAB65/20  
<https://democracy.tunbridgewells.gov.uk/documents/s51173/13%20Quarter%202020Revenue%20Management%202021.pdf>
- Revenue Management: Quarter 3 (to 31 December 2020) – CAB110/20  
<https://democracy.tunbridgewells.gov.uk/documents/s53786/10%20Quarter%202020Revenue%20Management%202021.pdf>

## **8. Cross Cutting Issues**

### **A. Legal (including the 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

### **B. Finance and Other Resources**

The report updates on the Authority's forecast outturn net revenue position compared to revised budget. The strain on the council's finances will be felt for some time and the ability of the council to finance new commitments is severely limited.

Jane Fineman, Head of Finance, Procurement & Parking

### **C. Staffing**

The report monitors the establishment to the post occupied.

Jane Fineman, Head of Finance, Procurement & Parking

### **D. Risk Management**

To ensure that the unaudited outturn net revenue remains within the Council's Medium Term Financial Strategy.

Jane Fineman, Head of Finance, Procurement & Parking

### **E. 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.

Jane Fineman, Head of Finance, Procurement & Parking

## **F. 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.

Jane Fineman, Head of Finance, Procurement & Parking

## **G. 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.

Jane Fineman, Head of Finance, Procurement & Parking

## **H. Data Protection**

There are no specific implications that arise from the process of Revenue Management over the fact that the budget supports the Council's priorities.

Jane Fineman, Head of Finance, Procurement & Parking

## **I. 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 priorities.

Jane Fineman, Head of Finance, Procurement & Parking

## **J. 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.

Jane Fineman, Head of Finance, Procurement & Parking