

# Revenue Management: Quarter 2 (to 30 September 2021)

For Cabinet on 2 December 2021

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## Summary

**Lead Member:** Councillor Tom Dawlings, Leader of the Council (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	3 November 2021 (Verbal update)
Portfolio Holder	15 November 2021
Finance & Governance Cabinet Advisory Board	16 November 2021
Cabinet	2 December 2021

## Recommendations

Officer / Committee recommendations as supported by the Portfolio Holder:

1. That Cabinet note the Quarter 2 net expenditure on services year to date was £8,014,000, £495,000 less than budget.
2. That Cabinet note that by year end the Council anticipates net expenditure of £15,417,000 on services. This forecast is £10,000 under budget, an improvement of £58,000 since Quarter 1.
3. That Cabinet note that by year end the Council anticipates receiving an increase in funding of £1,472,000, an improvement of £84,000 since Quarter 1. Overall,

this means an improvement to budget of £1,482,000 which will reduce the budget deficit that was to be met from reserves.

## **1. Introduction and Background**

- 1.1 This report shows the actual expenditure on services compared to the revised budget for the period ended 30 September 2021, 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 £15,417,000 which is an underspend against budget of £10,000.
- 1.3 The net funding the Council expects to receive has increased by £1,472,000 which means an overall improvement to budget of £1,482,000. This reduces the budgeted £3,000,000 deficit for 2021/22, to be met from reserves, to a forecast £1,518,000.

## **2. Revenue Management to 30 June 2021**

### **Summary Outturn – Appendix A**

- 2.1 Appendix A shows the overall income and expenditure on services forecast outturn position as at 30 September 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 24 February 2021 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 Whilst the Year to Date Cost of Services variance is £495,000 under budget, the forecast outturn is £15,417,000, only £10,000 under budget. This is mainly because the £390,000 loss of the Garden Waste income forecast between July and December 2021 (Note 2.18) offsets the savings in the costs year to date. 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 £1,472,000, comprising £1,402,000 of additional funding from Government and £70,000 in investment income. This means an overall improvement to the budget position of £1,482,000.
- 2.3 Investment interest and income is forecast to be £70,000 over budget, which is mainly due to the Council's investment in the Property Fund which has generated a net return of 4.37% during the first quarter.
- 2.4 It is forecast that the Council will receive additional Covid-19 funding of £1,402,000 during the year from Government. The Council has already received a grant of £486,000, to support it through the pandemic, as well as £346,000

towards the cost of the new burdens that have been placed upon authorities. The sales, fees and charges scheme, which compensated Councils for income losses during 2020/21, has been extended to cover April to June 2021. The losses will be calculated by comparing income during this period to pre-pandemic levels. The Council estimates that it will be compensated by an amount in the region of £570,000.

- 2.5 The 2021/22 budget was set on the assumption that losses from income, due to the pandemic, would be in the region of £250,000 per month, and the annual loss of £3,000,000 would be met by a transfer from reserves. The transfer from reserves is therefore now forecast to be £1,518,000, a reduction of the £1,482,000, as described in Notes 2.2 to 2.4.

## Usable Reserves – Appendix D

- 2.6 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.
- 2.7 As shown in Appendix D the Council had £39,466,000 of usable reserves as at 1 April 2021, including £29,060,000 of earmarked reserves. It should be noted that the Grant Volatility Reserve holds £15,398,000 that at year end will be used to fund the Council's share of the deficit currently held on the Collection Fund. It is committed and not available to spend despite being held in a usable reserve
- 2.8 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. The funding currently required from the reserve in 2021/22 is £1,355,000 comprising of £900,000 for the Capital Programme, as detailed in the Quarter 2 2021/22 Capital Monitoring Report, £358,000 for the Development Programme and a transfer of £97,000 to top up the ICT MKS Partnership reserve to fund existing ICT capital projects.
- 2.9 The capital programme is also funded from other specific earmarked reserves, and this totals £1,700,000 for 2021/22. This comprises £666,000 from the Royal Victoria Place Maintenance reserve, £324,000 from the ICT MKS Partnership reserve, £298,000 from the On Street Parking reserve, £176,000 from the Ice Rink reserve, £117,000 from the Invest to Save reserve, £81,000 from the Torrington maintenance reserve, £20,000 from the Strategic Plan reserve and £18,000 from the Digital Transformation reserve.
- 2.10 The Council set up the Grant Volatility Reserve to manage fluctuations in Government grants from one year to the next. For 2021/22 a transfer of £860,000 is forecast to be made into the reserve, which is equivalent to the amount which will be received for the New Homes Bonus. With uncertainty over the amounts which will be received in future years, transferring this amount limits the potential loss to the Council as it is not relying on the amount within its balanced the budget.

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

- 2.11 External Contract Payments are forecast to be underspent by £165,000. During 2020/21 the Council agreed financial support for Fusion Lifestyle, to facilitate the opening of the Council's three sports centres. At its meeting of 29 July 2021 (CAB43/21) Cabinet agreed that £184,000 of this support, that Fusion has not yet claimed, would not be provided resulting in this saving. It was also agreed that the management fee for 2021/22 would be reinstated from October 2021. This results in income of £146,000, as explained in Note 2.19, less a cost of £19,000, due for Weald Sports Centre, which has been forecast within External Contract Payments.
- 2.12 Cost savings of £407,000 have been forecast for the Assembly Hall theatre which is a further £172,000 this quarter. This is due to the theatre being closed, in line with national restrictions, or there being a limited capacity audience during the start of the year. £280,000 of these savings are shown within Other Fees, which is the saving of show fees that are paid to promoters, and £42,000 is shown in Other Supplies and Services. £85,000 of the saving is included within Appendix F, Employee Related Costs.

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

- 2.13 Staffing costs are now forecast to be £429,000 under budget, a further reduction of £188,000 since Quarter 1. £90,000 of this will meet the contribution to the vacancy factor for Quarters 1 and 2. The vacancy factor is an amount which at the start of the year is assumed will be saved whilst budgeted posts are vacant.
- 2.14 The main projected changes are a saving of £134,000 for the Property team, £85,000 for the Assembly Hall theatre team, £40,000 for the Food and Safety team, £34,000 for Digital Services and £32,000 for Planning. The Council has been operating with vacancies during the Covid period and is now actively trying to recruit into these posts. There are some specialist/professional functions that the Council finds it difficult to recruit to and therefore it may take some time until the establishment is replenished.

## **Income Streams– Appendix H**

- 2.15 The forecast income for the Assembly Hall Theatre has been reduced by £458,000, a further £172,000 this quarter. The projection reflects activity this quarter which has not returned to pre-pandemic levels since the theatre was able to fully re-open in late July. The reduction is offset by cost savings of £407,000, a further £172,000 forecast this quarter, as explained in Note 2.12. The overall net forecast position for the theatre is an additional cost of £51,000, taking the annual forecast subsidy to £322,000. The subsidy is £114,000 less than reported

at Quarter 1 as two posts, previously part of the theatre team, and their associated costs transferred to the Culture team in July.

- 2.16 Crematorium income is forecast to be £210,000 under budget, a further £70,000 this quarter. It is believed that increased competition in the local area is taking business away from Tunbridge Wells. The death rate was also below the five year average in the first quarter of the year, due to the success of the vaccination programme combined with Covid restrictions still being in place.
- 2.17 Planning income is forecast to be £101,000 over budget, a further £71,000 this quarter. This amount is made up of £56,000 for planning applications and £45,000 for building control income. Both income budgets were reduced this year due to the uncertainty around development and the building trade but are performing better than expected.
- 2.18 In July the decision was taken to suspend Garden Waste collections due to the national shortage of HGV drivers. This has meant the contractor can free up available staff to ensure that food waste, recycling, refuse and clinical waste collections continue. A forecast shortfall of £390,000 has been forecast for income to cover the period from July to December. The decision to suspend the service will be kept under constant review and therefore this forecast may need to be updated in future reports.
- 2.19 The forecast for Other income has been increased by £190,000 this quarter. £146,000 of this is for the Fusion Lifestyle management fee for 2021/22 which will be reinstated from October 2021, as explained in Note 2.11.

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

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

## **Council Tax and Business Rates**

- 2.21 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 2021/22 is £89.3 million of which £8.564 million is due to this Council.
- 2.22 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 is usually in the region of £56 million with the Council receiving back from government £2.375 million in redistributed business rates.
- 2.23 For 2020/21 the government expanded its business rates retail discount for retail properties to also include the leisure and hospitality sectors. In March 2021 it was confirmed that the expanded discount would continue to apply at 100% for the first three months of 2021/22 and 66% for the remaining period. The discount

reduces the amount billed and therefore the amount due for 2021/22 is £38.2 million. The Council is compensated for the relief through a Section 31 business rates grant.

- 2.24 The table below shows the Quarter 2 recovery rate for Council Tax to be 0.30% above target and the collection rate last year. The table shows the Quarter 2 recovery rate for business rates to be below target by 7.15% and 6.59% below collection rates last year. The figures are skewed for business rates due to expanded discount being 100% for April to June and 66% for July to March. The target is based on the total bill being issued for April and payments being made equally throughout the year. However, for the actual collections in 2021/22 nothing is due for the first 3 months and then they are billed for the last 9 months and pay those instalments equally over the 9 months. This payment profile should start to correct itself as the financial year progresses but will continue to be carefully monitored.

Revenue Billing Stream	2021/22 Collection as at 30/09/2021	2021/22 Target as at 30/09/2021	2020/21 Collection as at 30/09/2020
Council Tax	56.10%	55.80%	55.80%
Business Rates	49.35%	56.50%	55.94%

### 3. Options Considered

- 3.1 This report is essentially for information.
- 3.2 The forecast use of reserves to balance the budget for 2021/22, has been reduced from £3,000,000 to £1,518,000. The Council could make significant cost savings through reductions to service provisions to avoid using earmarked reserves to fund the budget gap for 2021/22. Government advice was that Councils should not make drastic decisions to bring their budgets back into balance, hence this Council planning to use reserves for the last 2 financial years and using Government support to cushion the impact of the pandemic. However, the council must take action to balance its budget for 2022/23 as there is unlikely to be further Government support available.

### 4. Preferred Option and Reason

- 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 2.
- 4.2 That £1,518,000 of reserves, with the final allocation between specific reserves being made once the actual position is known at year end, is used to meet the budget gap as forecasted this quarter.

## 5. Consultation on Options

- 5.1 The budget was approved by Full Council on 24 February 2021. 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 16 November 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

Background Papers:

- Budget 2020/21 and Medium Term Financial Strategy Update – CAB90/20  
[https://democracy.tunbridgewells.gov.uk/documents/s53259/7%20Budget%202021\\_22.pdf](https://democracy.tunbridgewells.gov.uk/documents/s53259/7%20Budget%202021_22.pdf)
- Revenue Management: Quarter 1 (to 30 June 2021) – CAB61/21  
<https://democracy.tunbridgewells.gov.uk/documents/s57319/Quarter%201%20Revenue%20Management%20202122.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.

Claudette Valmond, Interim 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