

Revenue Management: Quarter 3 (to 31 December 2021)

For Cabinet on 17 March 2022

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	16 February 2022
Portfolio Holder	28 February 2022
Finance & Governance Cabinet Advisory Board	1 March 2022
Cabinet	17 March 2022

Recommendations

Officer / Committee recommendations as supported by the Portfolio Holder:

1. That Cabinet note the Quarter 3 net expenditure on services year to date was £10,094,000, £745,000 less than budget.
2. That Cabinet note that by year end the Council anticipates net expenditure of £15,349,000 on services. This forecast is £325,000 under budget, an improvement of £315,000 since Quarter 2.
3. That Cabinet note that by year end the Council anticipates receiving an increase in funding of £1,712,000, an improvement of £240,000 since Quarter 2. Overall,

this means an improvement to budget of £2,037,000 which will reduce the budget deficit that was to be met from reserves, to a forecast £963,000.

4. That Cabinet approve write offs as set out in Paragraph 2.24 and detailed in Appendix J.

1. Introduction and Background

- 1.1 This report shows the actual expenditure on services compared to the revised budget for the period ended 31 December 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 £15,349,000 which is an underspend against budget of £325,000.
- 1.3 The net funding the Council expects to receive has increased by £1,712,000 which means an overall improvement to budget of £2,037,000. This reduces the budgeted £3,000,000 deficit for 2021/22, to be met from reserves, to a forecast £963,000.

2. Revenue Management to 31 December 2021

Summary Outturn – Appendix A

- 2.1 Appendix A shows the overall income and expenditure on services forecast outturn position as at 31 December 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 The forecast outturn for expenditure on services is £15,349,000, which is £325,000 under 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 £1,712,000, comprising £1,612,000 of additional funding from Government and £100,000 in investment income. This means an overall improvement to the budget position of £2,037,000.
- 2.3 Investment interest and income is forecast to be £100,000 over budget, which is mainly due to the Council's investment in the Property Fund which has generated a net return of 4.41% to the end of Quarter 3.
- 2.4 It is forecast that the Council will receive additional grant funding of £1,612,000 during the year from Government. The Council received a grant of £486,000, to support it through the pandemic, as well as £410,000 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, was extended to cover April to June 2021 and it is estimated that the Council will be compensated by an amount in the region of £570,000. The Council is also expecting to receive an additional £146,000 of income from business rates grants, above what had been included in the budget.

- 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 £963,000, a reduction of the £2,037,000, 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 £456,000 comprising of £359,000 for the Development Programme and a transfer of £97,000 to top up the ICT MKS Partnership reserve to fund existing ICT capital projects. There is no requirement to fund the capital programme from this reserve this year, as detailed in the Quarter 3 2021/22 Capital Monitoring Report.
- 2.9 The capital programme is funded from other specific earmarked reserves, and this totals £779,000 for 2021/22. This comprises £324,000 from the ICT MKS partnership reserve, £234,000 from the On Street Parking reserve, £102,000 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. The forecast deficit for 2021/22, which is £963,000 can therefore mostly be met by not making this transfer to the Grant Volatility Reserve.

Financial Performance of Major Expenditure Accounts – Appendix E

- 2.11 External Contract Payments are forecast to be £255,000 underspent, a further £90,000 this quarter. The £90,000 is from an underspend for contract costs for waste collection and street sweeping, which is due to the indexation being lower than budgeted.
- 2.12 Other Fees are forecast to be a net £307,000 underspent, a further £22,000 this quarter. This forecast includes £340,000 for the Assembly Hall theatre which is a saving of show fees that are paid to promoters. In total, cost savings of £507,000 have been forecast for the Assembly Hall theatre, £340,000 for show fees, £42,000 shown in Other Supplies and Services and £125,000 for staffing, as included within Appendix F, Employee Related Costs.

Employee Related Costs – Appendix F and G

- 2.13 Staffing costs are now forecast to be £940,000 under budget, a further reduction of £511,000 since Quarter 2. £180,000 of this will meet the contribution to the vacancy factor for the year. 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 £175,000 for Environmental Health, £157,000 for Property, £125,000 for the Assembly Hall theatre, £110,000 for Parking, £99,000 for Planning, £62,000 for Digital Services, £37,000 for Policy and Governance and £30,000 for Finance.

Income Streams– Appendix H

- 2.15 Off Street Parking income is forecast to be £192,000 overachieved, which is an additional £160,000 this quarter. This is due to increased usage at both Crescent Road and Torrington car parks, indicating a return to the office for local workers and commuters. On Street Parking is forecast to be £197,000 underachieved, an additional £165,000 this quarter. This is due to the number of Penalty Charge Notices issued not returning to pre-Covid levels, but there have been cost savings from enforcement officer vacancies as explained in Note 2.14.
- 2.16 The forecast income for the Assembly Hall Theatre has been reduced by £558,000, a further £100,000 this quarter. The reduction is offset by cost savings of £507,000, a further £100,000 forecast this quarter, as explained in Note 2.12. This means an overall net forecast position of an additional cost of £51,000, with the annual subsidy forecast to be £322,000.
- 2.17 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. Within Waste Collection a shortfall of £765,000 has been

forecast for income lost during 2021/22 with the decision to suspend the service being kept under constant review.

- 2.18 The forecast for Other income has been increased by £150,000 this quarter due to income from the Ice Rink which had the highest ticket sales in its history.

Variances by Portfolio Holder– Appendix I

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

Council Tax and Business Rates

- 2.20 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.
- 2.21 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.
- 2.22 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 £42.4 million. The Council is compensated for the relief through a Section 31 business rates grant.
- 2.23 The table below shows the Quarter 3 recovery rate for Council Tax to be 0.04% above target and the collection rate last year. The table shows the Quarter 3 recovery rate for business rates to be below target by 2.72% and 3.58% 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 is therefore unusual and should correct itself by the end of the financial year, but will continue to be carefully monitored.

Revenue Billing Stream	2021/22 Collection as at 31/12/2021	2021/22 Target as at 31/12/2021	2020/21 Collection as at 31/12/2020
Council Tax	83.56%	83.52%	83.52%

Business Rates	79.28%	82.00%	82.86%
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Write Off/Excusal of Debts – Appendix J

2.24 Under Financial Procedure Rule (FPR) 6.2 excusal of debts due to the Council can be granted by Cabinet, upon the recommendation of the Section 151 Officer, and therefore the following debts are asked to be written off:

- 2 debts totalling £6,257.00 in respect of Housing Loans in accordance with FPR 6.2.2 (c) being debts of £1,500 or over outstanding for more than 2 years.
- 13 debts totalling £323,557.30 in respect of Business Rates in accordance with FPR 6.3 being debts of over £10,000.

2.25 Financial Procedure Rule (FPR) 6.5 requires a summary of debts written off by the Section 151 Officer to be reported to Cabinet on a regular basis and therefore a summary of the total write offs for 2021/22 will be provided to Cabinet in the Quarter 4 report.

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 £963,000. The Council had planned to transfer an amount equivalent to the New Homes Bonus, £860,000, into the Grant Volatility Reserve at year end. This can be used to fund the majority of the £963,000 needed to balance the 2021/22 budget.

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 3.

4.2 That £963,000 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 forecast 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 1 March 2022 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
- Revenue Management: Quarter 1 (to 30 June 2021) – CAB61/21
<https://democracy.tunbridgewells.gov.uk/documents/s57319/Quarter%201%20Revenue%20Management%20202122.pdf>
- Revenue Management: Quarter 2 (to 30 September 2021) – CAB101/21
<https://democracy.tunbridgewells.gov.uk/documents/s58521/11%20Quarter%202%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