

Revenue Management: Quarter 4 (to 31 March 2022)

For Cabinet on 23 June 2022

Summary

Lead Member: Councillor Andrew Hickey (Portfolio Holder for Finance and Performance)

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	19 May 2022
Portfolio Holder	TBC
Finance & Governance Cabinet Advisory Board	8 June 2022
Cabinet	23 June 2022

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 2022.
2. That Cabinet note that the expected withdrawal from reserves of £963,000, to meet the forecast deficit at Quarter 3 will not be needed, and a sum of £35,000 will be transferred into the General Fund.

1. Introduction and Background

- 1.1 This report shows the unaudited actual expenditure on services compared to the revised budget for the period ended 31 March 2022, and the forecast outturn position, as at Quarter 3.
- 1.2 The actual outturn shows an underspend of £552,000 on services against the revised budget. This comprises an underspend on expenditure of £1,694,000 less an underachievement of income of £1,142,000. The forecast as at Quarter 3 was a net underspend of £325,000, so this represents an improvement to the forecast of £227,000.
- 1.3 The net transfer of £6,383,000 has been made from earmarked reserves and a transfer of £35,000 made to the General Fund, leaving a balance of £32,493,000 available in usable reserves.

2. Revenue Management to 31 March 2022

Summary Outturn – Appendix A

- 2.1 Appendix A shows the overall income and expenditure on services forecast outturn position as at 31 March 2022. 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 actual outturn for expenditure on services is £14,130,000, which is £552,000 under the approved budget, an improvement from Quarter 3 of £227,000, which was forecasting an underspend of £325,000. This is the result of various movements as can be seen in Appendix C.
- 2.3 Investment interest and income was overachieved by £132,000 for the year, an improvement of £32,000 on the forecast at Quarter 3. £125,000 of this increase was for investment interest, due to the rate achieved on the Property Fund being a net return of 4.42% for the year.
- 2.4 The Council has received additional grant funding of £2,170,000 during the year, of which £1,947,000 was from government and £223,000 from Kent County Council. This was made up of £737,000 from the sales, fees and charges scheme, which compensated Councils for income losses during April to June 2021, a grant of £486,000 to support additional costs arising from the pandemic, £430,000 towards the cost of new burdens that have been placed upon authorities in supporting the pandemic response, £375,000 to support the costs of the Council Tax Reduction Scheme and a £142,000 increase in regular grants over and above that which had been included in the budget.

- 2.5 Business rates show a surplus to budget of £1,791,000. This is due to business rates growth since the inception of the business rates retention scheme in 2013/14. The Council is prudent and does not rely on this when setting the budget and has used £1,434,000 of this surplus to make a transfer to reserves to fund the capital programme for 2022/23.
- 2.6 The budget included a transfer to the grant volatility reserve of £860,000, which was equivalent to the amount received from New Homes Bonus. Instead of making this transfer, the Council has overpaid its Minimum Revenue Provision by £1,152,000, therefore reducing this outstanding debt. The remaining surplus from business rates was also utilised for this overpayment.

Usable Reserves – Appendix D

- 2.7 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.
- 2.8 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 2021/22 the capital programme was financed mainly from capital receipts of £1,338,000 and therefore the Capital and Revenue Initiatives Reserve was not needed, although the reserve did fund £72,000 of the development programme. A sum of £1,888,000 was transferred into the reserve of which £1,434,000 was from the surplus on business rates as explained in Note 2.5. The reserve now has sufficient funds to finance the approved capital programme for 2022/23, with the exception of the £5 million budget for the Town Hall refurbishment.
- 2.9 The capital programme is also funded from other specific earmarked reserves. This totalled £333,000 for 2021/22, being £165,000 from the ICT MKS partnership reserve, £81,000 from the Torrington maintenance reserve, £40,000 from the Invest to Save reserve, £20,000 from the On Street Parking reserve, £15,000 from the Strategic Plan reserve, and £12,000 from the Digital Transformation reserve.
- 2.10 In 2020/21 the Government expanded business rates retail relief by increasing it to 100% and extending it to the leisure and hospitality sectors. The discount also applied for the first three months of 2021/22 and was at 66% for the rest of the year. The discount reduces the amount billed and therefore the amount received by the Council that year. The Council is compensated for the relief through Section 31 business rates grants, but these sit outside of the Collection Fund account. Therefore £15,398,000 from these grants was transferred into the Grant Volatility Reserve in 2020/21, to fund the Collection Fund deficit in future years. Of this £12,731,000 has been withdrawn to fund the deficit in 2021/22, but £4,309,000 from 2021/22 grants has been transferred into the reserve to fund next year's deficit. This results in a balance of £6,976,000 within the reserve but it is important to note that this is held there purely due to the accounting

treatment of the Collection Fund, and it is committed to funding the deficit in future years and cannot be used.

- 2.11 A sum of £35,000 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 £4.336 million.

Financial Performance of Major Expenditure Accounts – Appendix E

- 2.12 The actual outturn for expenditure was £747,000 under budget. The main variances are explained in the paragraphs below.
- 2.13 Building maintenance and repairs costs were £225,000 below budget. This mainly consisted of an underspend in planned maintenance costs where schemes were delayed.
- 2.14 Utility costs were £184,000 over budget which includes £69,000 for gas costs and £142,000 for electricity costs. This is due to increases in costs seen over the last quarter and an additional amount of £77,000 for electricity, which had been undercharged across previous years.
- 2.15 External Contract Payments were £431,000 underspent, a further £176,000 this quarter. This includes £227,000 from an underspend for contract costs for waste collection and street sweeping, which is due to the indexation being lower than budgeted, and £165,000 which had been due to be paid as financial support for Fusion Lifestyle but was not paid resulting in this saving.
- 2.16 Other Fees were underspent by £424,000, a further £117,000 this quarter. This is mainly due to £397,000 for the Assembly Hall theatre, which is a saving of show fees that are paid to promoters. In total, cost savings of £640,000 were achieved for the Assembly Hall theatre being the £397,000 from show fees, £144,000 for staffing, as included within Appendix F, Employee Related Costs, plus £99,000 of various savings shown over a number of cost lines.

Employee Related Costs – Appendix F and G

- 2.17 The actual outturn for Employee Related costs was £947,000 under budget.
- 2.18 A saving of £897,000 was realised across salaries, casual hours, national insurance and pensions. Of this £760,000 had been forecast at Quarter 3 as savings from posts within Environmental Health, Property, the Assembly Hall Theatre, Parking Services, Planning, Digital Services, Policy & Governance and Finance. The additional £137,000 saving comes from a further £33,000 from Finance, £29,000 from Gateway Services, a further £19,000 from Parking Services, and a further £15,000 from Policy & Governance, as well as several small underspends across the Council.

- 2.19 Training costs show an underspend of £76,000 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 were limited, particularly at the start of the year.

Income Streams– Appendix H

- 2.20 Off Street Parking income was forecast to be £192,000 overachieved, and ended the year being £267,000 over budget, which is an additional £75,000. 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 was forecast to be £197,000 underachieved, and ended the year being £234,000, which is an additional £37,000 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 2.18.
- 2.21 Income for the Assembly Hall Theatre was £664,000 underachieved, a further £106,000 compared to the forecast of £558,000. The reduction was mainly offset by cost savings of £640,000, as explained in Note 2.16. This means an overall net position of an additional cost of £24,000, with the annual subsidy being £294,000.
- 2.22 Crematorium income was forecast to be £210,000 under budget. The actual outturn was £264,000 under budget, a further £54,000.
- 2.23 In July 2021 the decision was taken to suspend Garden Waste collections due to the national shortage of HGV drivers. This meant the contractor could free up available staff to ensure that food waste, recycling, refuse and clinical waste collections continued. Within Waste Collection therefore is a shortfall to budget of £765,000, the same as forecast in Quarter 3.
- 2.24 Other income was forecast to be £224,000 underachieved this year and concluded being £308,000, a further £84,000. The main variances to budget were £170,000 of additional income from the ice rink, £146,000 additional income from the Fusion Lifestyle management fee, which was reinstated from October 2021, less an underachievement of income of £108,000 from charges for Council Tax and NNDR summonses and liability orders, as court hearings could not take place at the start of the year.

Variances by Portfolio Holder– Appendix I

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

Council Tax and Business Rates

- 2.26 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.

- 2.27 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.
- 2.28 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 was £42.4 million. The Council is compensated for the relief through Section 31 business rates grants.
- 2.29 The table below shows the Quarter 4 recovery rate for Council Tax to be 0.10% above target and the collection rate last year. The table shows the Quarter 4 recovery rate for business rates to be 0.84% above target and collection rate last year.

Revenue Billing Stream	2021/22 Collection as at 31/03/2022	2021/22 Target as at 31/03/2022	2020/21 Collection as at 31/03/2020
Council Tax	97.60%	97.50%	97.50%
Business Rates	97.45%	96.61%	96.61%

Write Off/Excusal of Debts – Appendix J

- 2.30 Financial Procedure Rule (FPR) 6.5 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.
- 2.31 Appendix J gives a complete analysis of all debts written off by the Council over the financial year 2021/22, of which there are 2,854 accounts totalling £858,534. This should be seen in the context of the £155,632,000 of income collected by the Council during the year meaning that only 0.55% 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.

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.

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 7 June 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
- Appendix J: Debt Write Offs

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>
- Revenue Management: Quarter 3 (to 31 December 2021) – CAB149/21
<https://democracy.tunbridgewells.gov.uk/documents/s60141/Quarter%203%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