

Revenue Management: Quarter 2 (to 30 September 2022)

For Cabinet on 8 December 2022

Summary

Lead Member: Councillor Christopher Hall (Cabinet Member for Finance & 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	26 October 2022
Cabinet Member	28 October 2022
Finance & Governance Cabinet Advisory Board	15 November 2022
Cabinet	8 December 2022

Recommendations

Officer / Committee recommendations as supported by the Cabinet Member:

1. That Cabinet note the Quarter 2 net expenditure on services year to date was £6,709,000, £320,000 less than budget.
2. That Cabinet note that by year end the Council anticipates net expenditure of £15,757,000 on services. This forecast is £512,000 over budget, an increase of £212,000 on Quarter 1.
3. That Cabinet note that by year end the Council anticipates receiving an increase in funding of £750,000, due to additional investment interest. Overall, this means

an improvement to budget of £238,000, 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 2022, 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 £15,757,000 which is an overspend against budget of £512,000.
- 1.3 The funding income the Council expects to receive has increased by £750,000, due to an increase in the investment interest forecast, which means an overall improvement to budget of £238,000.

2. Revenue Management to 30 September 2022

Summary Outturn – Appendix A

- 2.1 Appendix A shows the overall income and expenditure on services forecast outturn position as at 30 September 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 23 February 2022 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 £15,757,000, which is £512,000 over budget. The various movements to forecast can be seen in Appendix C. It can also be seen that the funding for the year has increased by £750,000 which is from additional investment interest.
- 2.3 Investment interest and income is forecast to be £750,000 over budget, which is due to an increase in interest rates and more funds being available for investment. The base rate has increased from 0.75% at the start of the year to 2.25% in September 2022, and rates are expected to increase further by the end of the financial year. Average funds for 2022/23 are assumed to be £66.8m, which are forecast to fall to £46.2m in 2023/24m, as reserves are spent and cash is returned to Government. Reduced sums will therefore be available for investment in the future. The Council's investment in the Property Fund has generated a net return of 4.81% to the end of Quarter 2.

Usable Reserves – Appendix D

- 2.4 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.
- 2.5 As shown in Appendix D the Council had £32,493,000 of usable reserves as at 1 April 2021, including £22,677,000 of earmarked reserves. It should be noted that the Grant Volatility Reserve holds £6,911,000 which will be used to fund the Council's share of the deficit currently held on the Collection Fund, £5,610,000 in this financial year and £1,301,000 in 2023/24. It is committed and not available to spend despite being held in a usable reserve.
- 2.6 The Capital and Revenue Initiatives Reserve is generally used to finance the capital programme, where it is financed from TWBC resources, the property development programme and revenue expenditure for the Amelia Scott project. The funding currently required from the reserve in 2022/23 is £3,111,000 comprising of £3,084,000 for the capital projects, £26,000 for the Amelia Scott and £1,000 for the development programme.
- 2.7 The capital programme is funded from other specific earmarked reserves, and this totals £1,244,000 for 2022/23. This comprises of £666,000 from the RVP car park maintenance reserve, £222,000 from the On Street Parking reserve, £164,000 from the Invest to Save reserve, £130,000 from the Housing Renewal reserve and £62,000 from the ICT MKS partnership reserve.
- 2.8 When the 2022/23 budget was set there was a deficit of £944,000 to be funded from reserves. The forecast deficit has now reduced by £238,000 to £706,000, due to the improvement in forecast against budget. It is assumed at present that it will be funded from the Grant Volatility Reserve, although the allocation between specific reserves may change once the actual position is known at year end.

Financial Performance of Major Expenditure Accounts – Appendix E

- 2.9 A forecast increase in energy costs of £520,000 was included in Quarter 1 to reflect the increase to wholesale prices following Russia's invasion of Ukraine. The forecast only took into account the increase in the energy rates being implemented in April 2022. At time of writing the Council is awaiting confirmation of the costs for October 2022 onwards but has included a forecast increase of £300,000 in anticipation of a further increase. This forecast therefore may need to be updated in Quarter 3 once actual rates are known.
- 2.10 Grounds maintenance costs are forecast to be £70,000 overspent for the year due to the annual inflationary increase in the contract. This will be applied in the

new calendar year so does not show as an overspend in the year to date position.

Employee Related Costs – Appendix F and G

- 2.11 Staffing costs are now forecast to be £574,000 under budget, a further reduction of £306,000 since Quarter 1. Of this £130,000 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 already assumed will be saved whilst budgeted posts are vacant.
- 2.12 The main projected changes this quarter are a saving of £86,000 for The Amelia, £45,000 for the Assembly Hall Theatre, £44,000 for Planning, £40,000 for Environmental Health, £25,000 for Housing, £24,000 for Digital Services and £20,000 for Parking.

Income Streams– Appendix H

- 2.13 Crematorium income is forecast to be £35,000 overachieved. The forecast reflects the increase in cremation prices from October 2022 in response to the increase in energy costs being incurred.
- 2.14 Planning income is forecast to be £97,000 overachieved, a further £35,000 this quarter. This consists of £70,000 from an increase in planning application income, £20,000 from viability appraisal fees and £7,000 from S106 monitoring fees.
- 2.15 The forecast for Other Income has been reduced this quarter by a further £93,000. This consists of an increase of £7,000 for street naming and numbering income, less a reduction of £100,000 for charges for Council Tax summonses and liability orders. Following Covid it has taken a while for courts to be fully operational again resulting in a backlog of arrears. The forecast reflects the reduction for the first half of the year, although it is expected the volumes will return to normal for the rest of the year.

Variances by Cabinet Member– Appendix I

- 2.16 The table in Appendix I shows variances by Cabinet Member.

Council Tax and Business Rates

- 2.17 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 2022/23 is £94.3 million of which £9.005 million is due to this Council.

- 2.18 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 2022/23 is in the region of £50 million with the Council receiving back from government £2.375 million in redistributed business rates (4.7% of business rates billed).
- 2.19 The table below shows the Quarter 2 recovery rate for Council Tax to be 2.49% above target and 2.19% above the collection rate last year. The table shows the Quarter 2 recovery rate for business rates to be below target by 0.53% and 6.62% above the collection rate last year. It should be noted that the collection profile for business rates for 2021/22 was unusual. It was skewed by expanded retail discount being applied at 100% for April to June and 66% for July to March, meaning businesses were able to pay their bill over the last 9 months, rather than in equal instalments.

Revenue Billing Stream	2022/23 Collection as at 30/09/2022	2022/23 Target as at 30/09/2022	2021/22 Collection as at 30/09/2021
Council Tax	58.29%	55.80%	56.10%
Business Rates	55.97%	56.50%	49.35%

3. Options Considered

- 3.1 This report is essentially for information.

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 £706,000 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 23 February 2022. 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 15 November 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 Cabinet Member

Background Papers:

- Budget 2022/23 and Medium-Term Financial Strategy Update – CAB130/21
https://democracy.tunbridgewells.gov.uk/documents/s59490/8%20Budget%20FC%202022_23.pdf
- Revenue Management: Quarter 1 (to 30 June 2022) – CAB45/22
<https://democracy.tunbridgewells.gov.uk/documents/s63167/Quarter%201%20Revenue%20Management%20202223.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, 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