

Revenue Management: Quarter 3 (to 31 December 2022)

For Cabinet on 23 March 2023

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	20 February 2023
Cabinet Member	6 March 2023
Finance & Governance Cabinet Advisory Board	7 March 2023
Cabinet	23 March 2023

Recommendations

Officer / Committee recommendations as supported by the Cabinet Member:

1. That Cabinet note the Quarter 3 net expenditure on services year to date was £10,361,000, £741,000 less than budget.
2. That Cabinet note that by year end the Council anticipates net expenditure of £15,278,000 on services. This forecast is £144,000 under budget, an improvement of £656,000 on Quarter 2.
3. That Cabinet note that by year end the Council anticipates receiving an increase in funding of £1,150,000, due to additional investment interest, an improvement of £400,000 since Quarter 2. Overall, this means an underspend compared to

budget of £1,294,000, an improvement of £1,056,000, since Quarter 2. This will fund the budget deficit of £944,000, that was to be met from reserves, with the additional £350,000 being available to be transferred to reserves.

4. That Cabinet approve a new charge for bay suspensions to be implemented from 1 April 2023.

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 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 £15,278,000 which is an underspend against budget of £144,000.
- 1.3 The funding income the Council expects to receive has increased by £1,150,000, due to an increase in the investment interest forecast, which means an overall improvement to budget of £1,294,000.

2. Revenue Management to 31 December 2022

Summary Outturn – Appendix A

- 2.1 Appendix A shows the overall income and expenditure on services forecast outturn position as at 31 December 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 £15,278,000, which is £144,000 under 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 £1,150,000 which is from additional investment interest.
- 2.3 Investment interest and income is forecast to be £1,150,000 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 4.00% in February 2023, with rates expected to increase further by the end of the March 2023. Average funds for 2022/23 are assumed to be £69.5 million, and are forecast to fall to £46.2 million in 2023/24, as reserves are spent and cash is returned to Government. The Council's investment in the Property Fund has generated a net return of 4.81% to the end of Quarter 3.

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 £2,420,000 comprising of £2,384,000 for the capital projects, £35,000 for the Amelia Scott and £1,000 for the development programme.
- 2.7 The capital programme is also funded from other specific earmarked reserves, and this totals £365,000 for 2022/23. This comprises of £162,000 from the On Street Parking reserve, £111,000 from the Invest to Save reserve, £62,000 from the ICT MKS partnership reserve and £30,000 from the Housing Renewal reserve.
- 2.8 When the 2022/23 budget was set there was a deficit of £944,000 to be funded from reserves, but this withdrawal is now not required. There is a further £350,000 surplus, due to the improvement in forecast against budget, and it is assumed at present that it will be transferred to the General Fund, although the allocation to reserves may change once the actual position is known at year end.

Financial Performance of Major Expenditure Accounts – Appendix E

- 2.9 External contract payments are forecast to be £223,000 over budget this year. Of this increase £215,000 relates to an increase in payments for the recycling and waste collection service, which will be paid in Quarter 4. At its meeting of 9 February 2023 Cabinet agreed the provision of limited financial assistance to Urbaser Ltd and Urbaser SA for the contract, and a forecast of £165,000 has been included for this payment. The remaining £50,000 increase in the contract costs is due to two additional, royalty related bank holidays during 2022.
- 2.10 Grants are forecast to be £100,000 overspent for the year. At its meeting of 27 October 2022 (CAB 63/22) Cabinet approved that £100,000 would be added to fund the Community Support Fund. The Community Support Fund was established to help those in the Borough who are most in need by providing

financial assistance to organisations within the Community that are working hard to support our residents. Following an application process in January 2023, the £100,000 of grants, was paid out in February 2023.

- 2.11 Other Supplies and Services are forecast to be £102,000 underspent, a reduction of £111,000 this quarter. The decrease includes a reduction of £65,000 for the costs of the rent deposit and advance scheme, as the scheme is recovering more loan debt which can be reused to finance the scheme, and a reduction of £50,000 contingency budget, which was for the pandemic but has not needed to be utilised.

Employee Related Costs – Appendix F and G

- 2.12 Staffing costs are now forecast to be £1,044,000 under budget, a further reduction of £470,000 since Quarter 2. Of this £260,000 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 already assumed will be saved whilst budgeted posts are vacant.
- 2.13 The main projected changes for staffing this quarter are a saving of £146,000 for Planning Services, £59,000 for The Amelia, £55,000 for Parking, £55,000 for Housing, £24,000 for Property and £22,000 for Policy and Governance. There are also savings projected for two of the MKS partnerships, Legal Services and Revenues and Benefits of £50,000 each.

Income Streams– Appendix H

- 2.14 Off Street Parking income is forecast to be £473,000 overachieved for the year, an additional £180,000 this quarter. This is due to increased prices, implemented from December onwards, and an increase in visitor numbers to the car parks.
- 2.15 Crematorium income is forecast to be £100,000 overachieved for the year, an additional £65,000 this quarter. The forecast reflects the increase in cremation prices from October onwards, in response to the increase in energy costs being incurred, and an increase in webcasting income that has continued seeing increased take up following the period of the pandemic.
- 2.16 Planning income is forecast to be £192,000 overachieved, a further £95,000 this quarter. This consists of £155,000 from an increase in planning application income, £20,000 from viability appraisal fees and £17,000 from S106 monitoring fees.
- 2.17 Waste collection income is forecast to be overachieved by £140,000 this quarter, which consists of an increase in income of £220,000 for performance payments, less a decrease in income for green waste collections of £80,000. The increase in performance payments is due to extra tonnages being recycled and an increase in the price of cardboard. The decrease in green waste collection is due to a lower number of customers renewing their subscription compared to budget.

- 2.18 The forecast for Other Income has been reduced this quarter by a further £80,000. This mainly consists of a decrease of £100,000 for charges for Council Tax summonses and liability orders. Following the pandemic period it has taken a while for courts to be fully operational again resulting in a backlog of arrears.

Variances by Cabinet Member– Appendix I

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

Update to Fees and Charges

- 2.20 A bay suspension is a change to normal parking arrangements to allow the placement of a skip, materials or vehicles, to facilitate works to an area of the highway or to allow for temporary traffic diversions to take place. The present charge for a bay suspension is £80 for 1 week and then £20 for each additional day.
- 2.21 It is proposed to amend the charging for bay suspensions. The proposal is to charge a £100 administration fee and then £10 per day for a 6 metre length of bay. A benchmarking exercise of charges in Kent has shown a variety of charges and whilst this is not the most expensive (Dover and Folkestone & Hythe charge slightly more) it is felt to be competitive and commensurate with the cost of providing the service. It should also incentivise customers to minimise the number of days and bays they use as it is important to keep disruption to a minimum for other residents who need to park.

Council Tax and Business Rates

- 2.22 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.
- 2.23 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).
- 2.24 The table below shows the Quarter 3 recovery rate for Council Tax to be 0.38% below target and 0.42% below the collection rate last year. The table shows the Quarter 3 recovery rate for business rates to be above target by 1.60% and 4.32% 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 31/12/2022	2022/23 Target as at 31/12/2022	2021/22 Collection as at 31/12/2021
Council Tax	83.14%	83.52%	83.56%
Business Rates	83.60%	82.00%	79.28%

3. Options Considered

- 3.1 This report is essentially for information.
- 3.2 Cabinet can approve the new charge for bay suspensions or refuse.

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 it is noted that the expected withdrawal from reserves of £944,000, to balance the 2022/23 budget, is no longer required. A surplus to budget of £350,000 is forecast as at Quarter 3, and it is assumed at present that this will be transferred to the General Fund.
- 4.3 That Members approve the new charge for bay suspensions to be implemented from 1 April 2023.

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 7 March 2023 and agreed that the recommendations set out in the report be supported.

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>
- Revenue Management: Quarter 2 (to 30 September 2022) – CAB96/22
<https://democracy.tunbridgewells.gov.uk/documents/s64395/Quarter%202%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