

# Revenue Management: Quarter 4 (to 31 March 2023)

For Cabinet on 22 June 2023

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## 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	22 May 2023 (Verbal update)
Cabinet Member	23 May 2023
Finance & Governance Cabinet Advisory Board	6 June 2023
Cabinet	22 June 2023

## Recommendations

Officer / Committee recommendations as supported by the Cabinet Member:

1. That Cabinet note the unaudited actual revenue expenditure outturn and impact on reserves for the year ended 31 March 2023.
2. That Cabinet note that the withdrawal from reserves of £944,000, to meet the budgeted deficit, will not be needed, and a sum of £18,000 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 2023, and the forecast outturn position, as at Quarter 3.
- 1.2 The actual outturn on services is £13,406,000 which is an underspend of £1,105,000 against the revised budget. This comprises an underspend on expenditure of £202,000 plus an overachievement of income of £903,000. The forecast as at Quarter 3 was a net underspend of £144,000, so this represents an improvement to the forecast of £961,000.
- 1.3 A net transfer of £2,814,000 has been made from earmarked reserves and a transfer of £18,000 made to the General Fund, leaving a balance of £19,863,000 available in usable reserves.

## 2. Revenue Management to 31 March 2023

### Summary Outturn – Appendix A

- 2.1 Appendix A shows the overall income and expenditure on services forecast outturn position as at 31 March 2023. 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 actual outturn for expenditure on services is £13,406,000, which is £1,105,000 under budget, an improvement from Quarter 3 of £961,000, which was forecasting an underspend of £144,000. This is the result of various movements as can be seen in Appendix C.
- 2.3 Investment interest and income was overachieved by £1,214,000 for the year, an improvement of £64,000 on the forecast at Quarter 3. This is due to an increase in interest rates, with the base rate increasing from 0.75% at the start of the year to 4.25% in March 2023, and due to more funds being available for investment.
- 2.4 The Council has received additional grant funding of £216,000 during the year. This was made up of £194,000 towards the cost of new burdens that have been placed upon authorities, including the administration of the Council Tax Energy Rebate Scheme, with the remaining £22,000 small increases in regular grants over and above that which had been included in the budget.
- 2.5 Business rates show a surplus to budget of £1,162,000. 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 this surplus to make a transfer to reserves to fund the capital programme for 2023/24.

- 2.6 The Council has overpaid its Minimum Revenue Provision by £755,000 therefore reducing this outstanding debt.

## 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, the property development programme and revenue expenditure for the Amelia Scott project. In 2022/23 the capital programme was financed mainly from capital receipts of £1,273,000 and therefore the Capital and Revenue Initiatives Reserve was not needed. A sum of £4,233,000 was transferred into the reserve which was made up from £1,162,000 of surplus on business rates, as explained in Note 2.5, £1,004,000 from the surplus on Services and other funding, and £2,067,000 from transfers from other reserves.
- 2.9 The Council has taken the opportunity to reduce the number of reserves it holds and transfer the balance of those no longer required into the Capital and Revenue Initiatives Reserve. This transfer of £2,067,000 means the reserve now has sufficient funds to finance the approved capital programme for 2023/24.
- 2.10 The capital programme is also funded from other specific earmarked reserves. This totalled £72,000 for 2022/23, being £62,000 from the ICT MKS partnership reserve, £8,000 from the On Street Parking reserve and £2,000 from the Invest to Save reserve.
- 2.11 At the start of the year the Grant Volatility reserve held £6,814,000 to be used to fund the Council's share of the deficit currently held on the Collection Fund. £5,513,000 has been transferred in this financial year with the remaining £1,301,000 to be used in 2023/24. It is committed and not available to spend despite being held in a usable reserve.
- 2.12 When the 2022/23 budget was set there was a deficit of £944,000 to be funded from reserves, but this withdrawal was not required. A sum of £18,000 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 £4.354 million.

## Financial Performance of Major Expenditure Accounts – Appendix E

- 2.13 A forecast increase in energy costs of £820,000 was included within Utility bills to reflect the increase to wholesale prices following Russia's invasion of Ukraine, based on the information available at the time. The actual increase in cost was £684,000 and therefore £136,000 less than this forecast. The remaining underspend shown in Utility bills of £21,000 is from small savings in water bills across the Council.
- 2.14 External contract payments were forecast to be £223,000 over budget this year, of which £215,000 related to an increase in payments for the recycling and waste collection service. The actual outturn for these contracts was £190,000 under the projection. This was due to ad-hoc services within the variable aspects of the contracts, such as green waste collection costs, being underspent. As explained in Note 2.24 subscriptions for green waste were under achieved for the year which caused this underspend.
- 2.15 Consultants and Legal Fees were overspent by £379,000 at the end of the year, due to a cost of £398,000 for the Local Plan. The Council has put aside money in a reserve, to meet the costs associated with the Local Plan, as the phasing of costs varies across the years. The Planning team had an underspend on their staff costs during the year, due to vacancies, and it was therefore decided not to utilise the reserve for meeting the cost this year. This means the money will be available for use in later years.
- 2.16 Other Supplies and Services were a net £176,000 underspent, an increase of £154,000 on the forecast of £22,000. £175,000 of the underspend is for the Assembly Hall theatre, which is a saving of show fees that are paid to promoters.

## Employee Related Costs – Appendix F and G

- 2.17 The actual outturn for Employee Related costs was £1,267,000 under budget.
- 2.18 A saving of £1,049,000 was realised across salaries, casual hours, national insurance and pensions. Of this £678,000 had been forecast at Quarter 3 as savings from posts within Planning, Environmental Health, The Amelia, Parking, Housing, Policy & Governance, Digital Services and Property. The additional £371,000 comes from further savings of £138,000 from Planning, £61,000 from Environmental Health, £53,000 from Digital Services, £51,000 from Parking and £44,000 from Property, as well as several small underspends across the Council.
- 2.19 Other Employee costs show an underspend of £177,000 for the year, an additional £79,000 since the Quarter 3 projection. This is due to savings across the Mid Kent Services partnerships because of staff vacancies.

## **Income Streams– Appendix H**

- 2.20 Off Street Parking income was forecast to be £473,000 overachieved and ended the year being £438,000 over budget, therefore a small reduction on the forecast made at Quarter 3. On Street Parking income was forecast to be £20,000 overachieved and ended the year being £111,000 overachieved, an additional £91,000. This is due to an increase in income received from penalty charge notices as well as dispensations income.
- 2.21 Crematorium income was forecast to be £100,000 over budget for the year. The actual outturn was £156,000 over budget, a further £56,000. This is due to an increase in cremation prices, in response to the increase in energy costs being incurred, and an increase in webcasting income that has continued seeing higher take up following the period of the pandemic.
- 2.22 Revenue Contribution was £208,000 under achieved for the year, a further £161,000 over the Quarter 3 forecast. This income is mainly from contributions for staff costs from other Local Authorities and, as these costs have been reduced due to vacancies, the recharge has likewise been reduced.
- 2.23 Planning income was forecast to be £192,000 over budget. The actual outturn was £218,000 over, a further £26,000 this quarter.
- 2.24 Waste collection income was forecast to be overachieved by £140,000, which consisted of an increase in income of £220,000 for performance payments, less a decrease in income for green waste collections of £80,000. The actual increase to budget was £313,000, an additional increase of £173,000. This mainly consisted of a further increase in performance payments of £150,000 which is due to extra tonnages being recycled and an increase in the price of cardboard.
- 2.25 The forecast for Other Income had been reduced by a net £193,000 by Quarter 3. This mainly consisted of a decrease of £200,000 for charges for Council Tax summonses and liability orders. Following the pandemic, it has taken a while for courts to be fully operational again resulting in a backlog of arrears. The actual outturn was a reduction of £210,000, a small further decrease of £10,000 in Quarter 4, which does show however that the income is starting to improve.

## **Variances by Cabinet Member– Appendix I**

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

## **Council Tax and Business Rates**

- 2.27 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.

- 2.28 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 £49.8 million with the Council receiving back from government £2.375 million in redistributed business rates (4.7% of business rates billed).
- 2.29 The table below shows the Quarter 4 recovery rate for Council Tax to be on target and 0.10% below the collection rate last year. The table shows the Quarter 4 recovery rate for business rates to be above target by 1.61% and 0.77% above the collection rate last year.

Revenue Billing Stream	2022/23 Collection as at 31/03/2023	2022/23 Target as at 31/03/2023	2021/22 Collection as at 31/03/2022
Council Tax	97.50%	97.50%	97.60%
Business Rates	98.22%	96.61%	97.45%

## 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 2022/23, of which there are 3,308 accounts totalling £857,440. This should be seen in the context of the £167,918,000 of income collected by the Council during the year meaning that only 0.51% 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.
- 4.2 That it is noted that the expected withdrawal from reserves of £944,000, to balance the 2022/23 budget, was not required. A small surplus to budget of £18,000 was transferred to the General Fund.

## 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 6 June 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
- Appendix J: Debt Write Offs

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](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>
- Revenue Management: Quarter 3 (to 31 December 2022) – CAB143/22  
<https://democracy.tunbridgewells.gov.uk/documents/s66136/Quarter%203%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