

# Revenue Management: Quarter 1 (to 30 June 2023)

For Cabinet on 21 September 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	21 August 2023
Cabinet Member	21 August 2023
Finance & Governance Cabinet Advisory Board	5 September 2023
Cabinet	21 September 2023

## Recommendations

Officer / Committee recommendations as supported by the Cabinet Member:

1. That Cabinet note the Quarter 1 net expenditure on services year to date was £2,666,000, £1,098,000 less than budget.
2. That Cabinet note that by year end the Council anticipates net expenditure of £15,837,000 on services. This forecast is £1,001,000 under budget.
3. That Cabinet note that by year end the Council anticipates receiving an increase in funding of £1,248,000, due to additional investment interest. Overall, this means an improvement to budget of £2,249,000. The Council will transfer

£1,832,000 of this to earmarked reserves and £417,000 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 June 2023, 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 £15,837,000 which is an underspend against budget of £1,001,000.
- 1.3 The funding income the Council expects to receive has increased by £1,248,000, due to an increase in the investment interest forecast, which means an overall improvement to budget of £2,249,000.

## **2. Revenue Management to 30 June 2023**

### **Summary Outturn – Appendix A**

- 2.1 Appendix A shows the overall income and expenditure on services forecast outturn position as at 30 June 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 1 March 2023 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 £15,837,000, which is £1,001,000 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 £1,248,000 which is from additional investment interest.
- 2.3 Investment interest and income is forecast to be £1,248,000 over budget, which is due to an increase in interest rates and more funds being available for investment. The base rate has increased from 3.50%, when the budget was set, to 4.25% at the start of the year, and is now 5.25% following an increase in August 2023. The Council's investment in the Property Fund has generated a net return of 5.30% to the end of Quarter 1.

### **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 £28,798,000 of usable reserves as at 1 April 2023, including £19,863,000 of earmarked reserves. It should be noted that the Grant Volatility Reserve holds £1,301,000 which will be used to fund the Council's share of the deficit currently held on the Collection Fund in this financial year. 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 2023/24 is £9,473,000 which is for capital projects.
- 2.7 The capital programme is also funded from other specific earmarked reserves, and totals £1,362,000 for 2023/24. This comprises of £666,000 from the RVP car park maintenance reserve, £244,000 from the On Street Parking reserve, £176,000 from the Ice Rink reserve, £146,000 from the Invest to Save reserve and £130,000 from the Housing Renewal reserve.
- 2.8 The additional investment interest forecast to be received, as described in Note 2.2, is to be transferred to the Capital and Revenue Initiatives Reserve, to fund the capital programme. The Council is returning to its policy of any interest achieved that is surplus to budget, is transferred to reserves. This has not been possible for the last two years, when the Council has been facing the challenges presented by the pandemic and needed the interest to balance the budget. However, this policy protects the Council from building in short term interest windfalls into its base and must be reinstated as we return to business as usual.
- 2.9 The additional income received from Public Realm 2 enforcement, as described in Note 2.15, is to be transferred to the On Street Parking reserve. The Council have an Agreement with Kent County Council, Kent's Highways Authority, to provide their enforcement services until 31 March 2024, whereupon they will take back responsibility. This net income can only be used for certain transport related schemes and cannot be used for revenue purposes, hence it being transferred to a reserve before being allocated for a compliant purpose.
- 2.10 When the 2023/24 budget was set there was a deficit of £943,000 to be funded from reserves. The forecast has now reduced by £417,000 to £526,000 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**

- 2.11 Business rates are forecast to be £116,000 under budget this year. £70,000 of this relates to a decrease compared to budget for The Amelia Scott. When the budget was set the rateable value of the building had not yet been assessed and when it was confirmed it was lower than expected. The remaining £46,000 relates to a number of properties that have received transitional relief. The relief reduces the rates that are due and is based on the new ratings list that came into effect on 1 April 2023.
- 2.12 Other Supplies and Services are forecast to be £80,000 overspent. £40,000 is additional wheelie bin costs, £30,000 is equipment costs for CCTV which had been omitted when the budget was set and £10,000 is increased costs for bar supplies at the theatre.
- 2.13 IT & Communications costs are forecast to be £40,000 overspent, due to increased postage costs, of which £25,000 is for Parking, related to the new Public Realm 2 enforcement and £15,000 is for Elections.

## **Employee Related Costs – Appendix F and G**

- 2.14 Staffing costs are forecast to be £337,000 under budget with £85,000 of this meeting the first quarter's contribution to the vacancy factor. The vacancy factor is an amount which at the start of the year is already assumed will be saved whilst budgeted posts are vacant.
- 2.15 The main projected changes for staffing are a saving of £125,000 for Planning Services, £80,000 for Environmental Health, £52,000 for Property, £45,000 for The Amelia, £41,000 for the Assembly Hall Theatre, £32,000 for Housing and £25,000 for Finance and Procurement.

## **Income Streams– Appendix H**

- 2.16 Off Street Parking income is forecast to be £300,000 overachieved for the year. This is due to an increase in visitor numbers to the car parks, mainly in Torrington and Crescent Road car parks. On Street Parking income is forecast to be £584,000 overachieved which is due to the implementation of Public Realm 2 enforcement services.
- 2.17 Planning income is forecast to be £125,000 underachieved of which £100,000 is from planning applications and £25,000 is from planning performance agreements. The reduction in planning application income is due to a decrease in the number of applications being received and no larger applications in Quarter 1. The performance fee is a top up of the standard fee and is mainly paid by larger developers for advice throughout the planning cycle. As applications

are lower than budgeted, it is forecast that income from this service will also be less.

## Variations by Cabinet Member– Appendix I

2.18 The table in Appendix I shows variations by Cabinet Member.

### Council Tax and Business Rates

2.19 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 2023/24 is £101 million of which £9.459 million is due to this Council.

2.20 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 2023/24 is in the region of £52 million with the Council receiving back from government £2.464 million in redistributed business rates.

2.21 The table below shows the Quarter 1 recovery rate for Council Tax to be 1.11% above target and 0.04% above the collection rate last year. The table shows the Quarter 1 recovery rate for business rates to be 2.37% above target and 1.55% above the collection rate last year.

Revenue Billing Stream	2023/24 Collection as at 30 Jun 23	2023/24 Target as at 30 Jun 23	2022/23 Collection as at 30 Jun 22
Council Tax	28.99%	27.88%	28.95%
Business Rates	32.37%	30.00%	30.82%

## 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 variations to the revised budget and forecast outturn as at Quarter 1.

4.2 That it is noted that the expected withdrawal from reserves of £943,000, to balance the 2023/24 budget, has reduced by £417,000 to £526,000.

## 5. Consultation on Options

- 5.1 The budget was approved by Full Council on 1 March 2023. 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 5 September 2023 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 2023/24 and Medium-Term Financial Strategy – CAB113/22  
[https://democracy.tunbridgewells.gov.uk/documents/s65146/Budget%20FC%202023\\_24%20-%20with%20CT%20premiums.pdf](https://democracy.tunbridgewells.gov.uk/documents/s65146/Budget%20FC%202023_24%20-%20with%20CT%20premiums.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