

This Report will be made public on 3.10.2022



Report Number **C/22/41**

To: Cabinet
Date: 20 October 2022
Status: Non-Key Decision
Head of Service: Charlotte Spendley – Director of Corporate Services
Cabinet Member: Councillor David Monk - Cabinet Member for Finance

SUBJECT: GENERAL FUND REVENUE BUDGET MONITORING – 2ND QUARTER 2022/23

SUMMARY: This monitoring report provides a projection of the end of year financial position of the General Fund revenue budget, based on expenditure to the 31 August 2022.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because it needs to be informed of the council's General Fund revenue budget position and take appropriate action to deal with any variance from the approved budget.

RECOMMENDATIONS:

1. To receive and note Report C/22/41.

1. INTRODUCTION AND BACKGROUND

- 1.1 This report updates Cabinet on the likely projected outturn on the General Fund Revenue budget for 2022/23.
- 1.2 The projections are made against the latest approved budget and based on data received as at 31 August 2022. Some caution therefore needs to be exercised when interpreting the results due to the early stage of the financial year, however, a thorough budget monitoring exercise has been carried out.

2. GENERAL FUND REVENUE 2022/23 - PROJECTED OUTTURN

- 2.1 The Quarter 2 projected outturn for service areas shows a forecast of £26,130k against the latest approved budget of £24,291k resulting in a variance of £1,840k (projected overspend). It should be noted that this projection includes £1,247k of service expenditure which is to be funded from reserves included below the net cost of services.
- 2.2 When taking into account other entries such as Earmarked Reserves, Other Service Grants and Collection Fund Income, the total projected outturn is a projected underspend of £19k.
- 2.3 The following table summarises the latest projected outturn position:

General Fund Net Cost of Services	Latest Approved Budget £'000	Projected Outturn £'000	Variance £'000
Finance, Strategy & Corporate Services	7,767	8,620	853
Human Resources	573	556	(17)
Governance & Law	2,614	2,794	180
Leadership Support	721	784	63
Place	6,271	6,148	(123)
Economic Development	1,067	1,490	423
Planning	157	79	(78)
Operations	2,070	2,653	583
Housing	3,246	3,007	(239)
Sub-Total – Heads of Services	24,486	26,131	1,645
Unallocated Net Employee Costs	(195)	-	195
Total – Heads of Service	24,291	26,131	1,840
Internal Drainage Board Levies	493	493	-
Interest Payable and Similar Charges	801	759	(42)
Interest and Investment Income	(1,320)	(1,206)	114
New Homes Bonus Grant	(745)	(745)	-
Other Non-Service Related Government Grants	(1,858)	(2,847)	(989)
Town and Parish Council Precepts	2,659	2,659	-
Minimum Revenue Provision	1,667	1,667	-
Capital Expenditure Financed from Revenue	2,545	2,514	(31)
Net Revenue Expenditure before Use of Reserves	28,533	29,425	892
Net Transfer to/from(-) Earmarked Reserves	(5,740)	(6,055)	(315)

Total to be met by Taxpayers	22,793	23,370	577
Business Rates Income	(2,816)	(3,151)	(335)
Demand on the Collection Fund	(13,592)	(13,853)	(261)
Surplus (-)/Deficit for the year	6,385	6,366	(19)

2.4 The main variances are shown below:

	£'000
Service expenditure to be funded from reserves:	
Covid Funding expenditure (carried forward from 2021/22)	411
High Street Innovation Fund (carried forward from 2021/22)	387
Customer Access Point (carried forward from 2021/22)	217
Dowry payments	150
Climate Change	82
Services:	
Recycling, Cleansing & Household Waste Collection	452
Strategic Projects - Corporate consultancy services	90
Council Tax Collection - Reduction in Court Costs income	75
Planning - Professional advice and fees	70
Off-Street Parking - Ringo processing fees	55
Lifeline Facilities – Reduction in income	52
Otterpool (Developer) - Garden Communities Grant	(525)
Rent Rebates - Lower rent rebate payments and related subsidy	(51)
Other Items (below the Net Cost of Services):	
Other Non-Service Related Government Grants	(989)
Business Rates Income	(335)
Movement in Earmarked Reserves	(315)
Demand on Collection Fund	(261)
Interest Payable & Similar Charges	(104)
Interest & Investment Income	114
Capital Expenditure Financed from Revenue	31
Increase in bad debt provision	62
Admin budgets (including vacancy factor)	122
Other net variances	191
Total net projected General Fund Reserve decrease	(19)

2.5 Explanations for the main variances are detailed below:

2.5.1 Service expenditure to be funded from reserves

Covid Funding Expenditure - The Council received grants in 2021/22 specifically for Contain Outbreak Management Fund and unspent funding

was transferred to earmarked reserves at the end of the year and is expected to be fully utilised in 2022/23.

High Street Innovation Fund – Anticipated spend on High Street projects this financial year which is to be funded from the High Streets Regeneration reserve.

Customer Access Point - Civic Centre Relocation project carried forward from 2021/22.

Dowry Payments – Relating to the transfer of play parks to Town Councils as part of the Play Area Strategy and to be funded from the VET Reserve.

Climate Change – Consultancy costs associated with delivery of decarbonisation and preparing the bid for the second wave of Social Housing Decarbonisation funding.

2.5.2 Services

Recycling, Cleansing & Household Waste Collection – The increase in the annual contract cost has arisen due to a higher rate of inflation than anticipated along with a review of property numbers. Outside of the main contract there are variances relating to reduced garden waste income due to the existing customer rebates issued as a result of the service suspension last year, however it should be noted that the council are in the process of claiming this loss of income back from Veolia and that an updated position will be reported at Quarter 3. Furthermore, there are additional costs relating to replacement bins and weed spraying works.

Strategic Projects - Corporate consultancy services in respect of examining options for the future use of Folca and providing advice on Ship Street and the Civic Centre.

Council Tax Collection – Reduction in court costs income due to reduced court hearings as a result of work carried out on recovery of debt or write off prior to court summons.

Planning – Professional advice and fees relating to Planning Performance Agreement on Folkestone Seafront and Nutrient Neutrality.

Off - Street Parking – Increase in the use of RingGo resulting in higher processing fees.

Lifeline Facilities - reduction in various income streams, notably a reduction in lifeline rentals this is partly off set by staff vacancies.

Otterpool (Developer) - Garden Communities Grant to fund Otterpool masterplanning. These costs are capitalised and are included in the projection for Capital Expenditure Financed from Revenue below the net cost of services.

Rent Rebates - This is based around DWP's expectations in claims and the related subsidy, due to legislative limits on temporary accommodation expenditure is not always matched by subsidy.

2.5.3 Other Items (below the Net Cost of Services)

Other Non-Service Related Government Grants - Increase in s31 grants based on NDR reliefs awarded.

Business Rates Income – A reduction in income due to increased mandatory and unoccupied reliefs awarded and a reduction in gross rates payable £367k, offset by pool benefit (£604k)

Movement in Earmarked Reserves - The key movements are (£872k) assumed use of monies carried forward from 2021/22, £576k net impact of the General Fund capital programme being re-profiled to 2023/24. (£150k) use of VET reserve to fund the transfer of play parks to Town Councils and (£82k) use of the Climate Change reserve to fund consultancy costs associated with the delivery of decarbonisation.

The latest forecast Earmarked Reserves position is shown in the table below:

Reserve	Balance at 1/4/2022 £'000	Latest Budget £'000	Projection £'000	Change £'000	Balance at 31/3/2023 £'000
Earmarked					
Business Rates	2,662	(803)	(1,021)	(218)	1,641
Leisure Reserve	447	50	50	0	497
Carry Forwards	1,356	(144)	(144)	0	1,212
VET Reserve	287	(217)	(214)	3	73
Maintenance of Graves	12	0	0	0	12
New Homes Bonus (NHB)	1,997	(1,589)	(1,589)	0	408
Corporate Initiatives	960	(18)	26	44	986
IFRS Reserve	5	0	0	0	5
Economic Development	1,985	(1,546)	(915)	631	1,070
Community Led Housing	310	(55)	(55)	0	255
Lydd Airport	9	0	0	0	9
Homelessness Prevention	958	(21)	(21)	0	937
High Street Regeneration	1,575	(543)	(418)	125	1,157
Climate Change	4,880	(854)	(880)	(26)	4,000
Covid Recovery	3,526	0	(874)	(874)	2,652
Total Earmarked Reserves	20,969	(5,740)	(6,055)	(315)	14,914

Demand on the Collection Fund - Additional Council Tax income is projected based on current collection rates.

Interest Payable & Similar Charges - Lower interest payable as a result of reduced borrowing due to delays in planned capital expenditure.

Interest and Investment Income - A reduction in interest from Otterpool Park LLP and Oportunitas due to loans being utilised later than originally forecast,

partly offset by the net impact of higher than anticipated returns on short term cash investments.

Capital expenditure financed from revenue – Variance is due to the reprofiling of capital expenditure from 2021/22 offset by Otterpool Masterplanning costs funded from the Gardens communities grant.

Bad debt provision - Estimate based on 21/22 charge and the current year arrears and write offs figures.

Admin - This represents variances across all service areas within the administration budgets which mainly relate to staffing costs. This position is net of the agreed vacancy factor amount budgeted for each year.

Other net variances - aggregate of variances below £50k.

3. Virement

3.1 As stated in the Council’s virement policy, all virements will be reported retrospectively to Cabinet as part of the Council’s budget monitoring procedures.

3.2 A virement of £20k between ICT operation cost codes to cover the extension of the O365 Contractor authorised by the Director of Corporate Services.

4. CONCLUSIONS

4.1 The projected outturn shown for the General Fund Revenue account for 2022/23 reflects the position based on actual expenditure and forecasts at 31 August 2022 and projects an underspend of £19k.

5. RISK MANAGEMENT ISSUES

5.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
MTFS becomes out of date.	High	Low	The MTFS is reviewed annually through the budget process.
Assumptions may be inaccurate.	High	Medium	Budget monitoring is undertaken regularly and financial developments nationally are tracked. Assumptions are regularly reviewed.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (NM)

There are no legal implications arising directly out of this report.

6.2 Finance Officer's Comments (CI)

This report has been prepared by Financial Services. There are therefore no further comments to add.

6.3 Diversities and Equalities Implications

The report does not cover a new service/policy or a revision of an existing service/policy and therefore does not require an Equity Impact Assessment.

6.4 Climate Change Implications (OF)

As this report deals entirely with financial matters, there is no climate change impact.

6.5 Communications implications (KA)

There are no communications implications arising from this report.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting.

Leanne Knight, Finance Specialist

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The following background documents have been relied upon in the preparation of this report:

Budget projection working papers.