

This Report will be made public on 10 October 2023

Report Number: **C/23/51**

To: Cabinet
Date: 18 October 2023
Status: Non-Key Decision
Head of Service: Lydia Morrison – Interim Director of Corporate Services
Cabinet Member: Councillor Tim Prater, Portfolio Holder for Finance

SUBJECT: GENERAL FUND REVENUE BUDGET MONITORING – 2ND QUARTER (Q2) 2023/24

SUMMARY: This report sets out the financial monitoring information for the Council as at 1 September 2023, i.e., Q2 of 2023/24. The report provides Members with an overview of budget performance, including an overview of reserves and balances, to enable the Committee to take ownership of the budgets and provide robust challenge and scrutiny to Officers on the performance of those budgets. At the end of Quarter 2, there is a favourable **end of the financial year projected position of £512k** on the Council's revised net revenue budget, of £28.3m. This position is based on activity as at 1 September 2023, projected trends in income and expenditure and changes to Council funding.

REASONS FOR RECOMMENDATION:

The Cabinet is asked to note the recommendation set out below as it needs to be informed of the Council's General Fund revenue budget position, note the forecast outturn underspend position, and consider any action required as appropriate. Regular monitoring and reporting of the revenue budgets and savings achievements enable decisions to be taken in a timely manner, which may produce revenue benefits and will improve the financial control of the Council.

RECOMMENDATION:

1. To receive and note Report C/23/51.

1. INTRODUCTION AND BACKGROUND

- 1.1 This report updates the Cabinet on the **projected outturn for the General Fund Revenue budget for 2023/24**. This is the second round of budget monitoring for the financial year and provides the latest set of data at Q2 which can be considered the most accurate to date, given that the council is in month 6 of the financial year.
- 1.2 The projections are made against the latest approved budget and based on data received from Budget Managers. This Q2 report will be the second budget monitoring report for the financial year.

Economic Context

- 1.3 There remain considerable uncertainties in the economy at the start of 2023/24. High inflation and rising interest rates continue to place significant pressures on Council finances and restrict the ability to forecast and plan, with confidence, for the future.
- 1.4 In July, prices were 6.8% higher than a year ago (based on consumer price index (CPI)). Inflation has been around 10% since last summer, well above the Bank of England's 2% target. To help inflation return to the Bank of England's 2% target, interest rates have been increased to 5.25% (August 2023). Higher interest rates should help to reduce the demand for goods and services in the economy. Which, in turn, will help slow the rate of inflation.

2. MONITORING - THE COUNCIL'S OVERARCHING BUDGET POSITION

- 2.1 Members will be aware from recent reports to the Council and cabinet that the council faces a significant budget funding gap for future years. Officers are looking at solutions to reduce this budget gap. This is being done through the Priority Based Budgeting (PBB) model, which provides a comprehensive review of the entire council's budget, identifying and ranking services offered on the basis of the council's priorities. The process enables members to link service provision decisions to priorities within the corporate plan. The PBB philosophy involves aligning resources to output.
- 2.2 In considering the budget gap, any underspend that can be generated in the current financial year 2023/24, can be carried forward to reserves to help bridge part of the future years budget deficits.
- 2.3 Being mindful of this, the Chief Executive and the Corporate Leadership Team Directors have asked Budget Managers to rationalise discretionary spending wherever possible for the remainder of the 2023/24 financial year and be prudent in the use of resources, but without compromising front line services to residents.

2.4 The results for the Q2 budget monitoring have been assembled and have also been reviewed by Finance Team officers.

3. GENERAL FUND REVENUE 2023/24 - FORECAST END OF YEAR OUTTURN

3.1 The Q2 results are summarised in Table 1 below. The table presents the forecast outturn as a net position at the end of the financial year, i.e., expenditure minus income. Favourable variances (underspends) are shown as negative values and adverse variances (overspends) are shown as positive value.

3.2 In summary, at the end of Quarter 2, there is an overall projected end of year revenue underspend 2022/23 position of £512,000 (£278,000 in Quarter 1) against the Council's revised net revenue budget of £28.3m, which is equivalent to a variance of 1.81% on the current annual budget.

Table 1 – Q2 Budget Monitoring statement

General Fund Net Cost of Services	Latest Approved Budget	Qtr 2 Projected Outturn	Q2 Variance	Q1 Variance
	£000	£000	£000	£000
Finance, Strategy & Corporate Services	8,706	8,320	(386)	(262)
Human Resources	646	698	52	2
Governance & Law	3,012	3,047	35	176
Leadership Support	753	804	51	(15)
Place	6,789	7,013	224	76
Economic Development	469	584	115	39
Planning	191	131	(60)	(31)
Operations	2,841	2,639	(202)	(152)
Housing	3,163	2,975	(188)	(9)
Sub-Total - Heads of Service	26,570	26,211	(359)	(176)
Unallocated Net Employee Costs	(441)	-	441	441
Total for Service	26,129	26,211	82	265
Internal Drainage Board Levies	541	541	-	-
Interest Payable and Similar Charges	2,502	2,502	-	-
Interest and Investment Income	(2,521)	(2,521)	-	-
New Homes Bonus Grant	(366)	(366)	-	-
Other Non-Service Related Government Grants	(4,844)	(4,985)	(141)	(141)
Town and Parish Council Precepts	2,801	2,801	-	-
Minimum Revenue Provision	1,625	1,625	-	-
Capital Expenditure Financed from Revenue	2,487	2,487	-	-
NET REVENUE EXPENDITURE BEFORE USE OF RESERVES	28,354	28,295	(59)	124
Net Transfer to/from(-) Earmarked Reserves	(2,379)	(2,429)	(50)	1
TOTAL TO BE MET FROM TAXPAYERS & FORMULA GRANT	25,975	25,866	(109)	125
Business Rates Income	(3,921)	(4,184)	(263)	(263)
Demand on the Collection Fund	(14,290)	(14,430)	(140)	(140)
SURPLUS(-)/DEFICIT FOR THE YEAR	7,764	7,252	(512)	(278)

- 3.3 The Service or Team spending covers the specific budgets used to fund services at the Council and includes budgets/costs for employees, transport, supplies and services, contracts, benefits, homelessness, and income from grants, fees, and charges. Any carried forward funding from reserves from 2022/23 has also been applied to reflect the latest position.
- 3.4 The technical/funding/other budgets cover items of a more corporate funding nature such as capital financing costs, investment income, Minimum Revenue Provision (MRP), use of reserves, collection fund, levies, precepts, and any other technical budget adjustments. These budgets/costs are kept separate for accounting and service classification reasons under the CIPFA Service Reporting Code of Practice (SERCOP).
- 3.5 Significant aspects of the General Fund Revenue variances by directorate are as follows:

3.5.1 Finance, Strategy & Corporate Services

Finance, Strategy & Corporate Services are forecasting an underspend of £386k, and the table below shows the major variation against the latest budget with detailed descriptions as follows:

Description	£000
ICT Admin team are reporting a underspend due to the Digital & ICT Lead Specialist vacancy	(112)
Underspends due to various vacancies across the services, including Case Management (Corporate Service), finance and Strategy Policy & Performance	(199)
Higher than budgeted ICT costs £48k and lower website, telephone & mobile phones (£131k)	(83)
Planning Policy are reporting limited spend on local plan expenses for 23/24 - work to continue in 24/25	(58)
Lower expectation of DLUHC Council Tax Support Schemes Grant £74k and unbudgeted DWP Verify Earnings & Pensions grant received (£26k)	48
The remaining under/overspend are due to other minor variations	18
Total	(386)

3.5.2 Leadership Support

Leadership Support are forecasting an overspend of £51k, and the table below shows the major variation against the latest budget with detailed descriptions as follows:

Description	£000
Interim Support Costs	51
Total	51

3.5.3 Place

Place Services are forecasting an overspend of £224k, and the table below shows the major variation against the latest budget with detailed descriptions as follows:

Description	£000
This is due to unavoidable contract inflation and the increase from the actual indexation for the preceding year, which was higher than the original estimate within the Household Waste Collection, Recycling/Waste and Cleansing services	284
Projected underspend as a result of various vacancies within the Customer Services, Environmental Protection, Area Offices, and Hythe Swimming Pool	(179)
Replacement bin cost and decreased income from KCC Tipping away allowance	82
Reduction in income due to a reduced volume in requests for Local Land Charges	43
The remaining under/overspend are due to other minor variations	(6)
Total	224

3.5.4 Economic Development

Economic Development are forecasting an overspend of £115k, and the table below shows the major variation against the latest budget with detailed descriptions as follows:

Description	£000
High Street Innovation Fund - funded from reserves (see para.3.5.8)	50
Higher than budgeted Economic Development Staffing costs	50
The remaining under/overspend are due to other minor variations	15
Total	115

3.5.5 Planning

Planning is forecasting an underspend of £60k, and the table below shows the major variation against the latest budget with detailed descriptions as follows:

Description	£000
Projected underspend as a result of various vacancies within the Planning department being covered by temporary staff and unbudgeted DEFRA biodiversity net gain grant funding	(46)
The remaining under/overspend are due to other minor variations	(14)
Total	(60)

3.5.6 Operations

Operations services is forecasting an underspend of £202k, and the table below shows the major variation against the latest budget with detailed descriptions as follows:

Description	£000
Projected underspend as a result of various vacancies within the Lifeline Facilities, Maintenance Offices, Engineering and Buildings, Estates/Assets, and Strategic Development.	(261)
Reduction in income due to two vacant floors at Connect 38 and increase in related business rates.	171
Reduction in RinGo charges from off-street parking	(86)
Increase in on-street parking income with a slight increase on the contract cost	(69)
Increase in car park business rate charges	48
This is due to transport hire costs and the net effect of vacancy savings with the Grounds Maintenance service.	(46)
The remaining under/overspend are due to other minor variations	41
Total	(202)

3.5.7 Housing

Housing services is forecasting an underspend of £188k, and the table below shows the major variation against the latest budget with detailed descriptions as follows:

Description	£000
Projected net underspends from vacancy savings and secondment arrangements within the Compliance, Repairs, Assets & Major Works and Regulation Specialists	(90)
The remaining under/overspend are due to other minor variations	(98)
Total	(188)

3.5.8 Other Non – Service Related

Description	£000
Other Non-Service Related Government Grants	(141)
Business Rates Income - The transfer of Collection Fund monies (Council Tax and Business Rates income) into the General Fund is agreed upon as part of the budget-setting process and will match the budgeted income	(263)
Demand on the Collection Fund - The Collection Fund is the ring-fenced fund which comprises all income and expenditure for both the Council Tax and Business Rates. The previous year's deficit will continue to be funded by the monies set aside in the Collection Fund reserve over the 3-year period as originally planned, with the timing of the financial impact across the 3 years set out in the regulations set by the Government.	(140)
Net Transfer to/from(-) Earmarked Reserves - High Street regeneration reserve	(50)
Total	(594)

3.6 The **new Committee system implementation cost of £100k** will be funded from GF balances.

3.7 It should also be noted that there are a number of carry forward reserves applied from carried forward balances in 2022/23 which will fund certain specific costs included within the latest service budget.

4. Virement

4.1 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.

4.2 There are no virements to report for Q2.

5. CONCLUSIONS

5.1 The projected outturn shown for the General Fund Revenue account for 2023/24 reflects the position based on actual expenditure and forecasts on 1 September 2023 and projects an underspend of £512k at the end of the current financial year.

5.2 If this level of underspend continues through to outturn, then this may be added to reserves and carried forward to the 2024/25 Budget.

6. RISK MANAGEMENT ISSUES

6.1 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.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's Comments (NM)

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

7.2 Finance Officer's Comments (LK)

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

7.3 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.

7.4 Climate Change Implications (OF)

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

7.5 Communications implications (KA)

There are no communications implications arising from this report.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councilors with any questions arising out of this report should contact the following officers prior to the meeting:

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

Budget projection working papers.