

This Report will be made  
public on 9 March 2021

Report Number **C/20/86**

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<b>To:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>17 March 2021</b>
<b>Status:</b>	<b>Non-Key Decision</b>
<b>Head of Service:</b>	<b>Charlotte Spendley – Director of Corporate Services</b>
<b>Cabinet Member:</b>	<b>Councillor David Monk - Cabinet Member for Finance</b>

**SUBJECT: GENERAL FUND REVENUE BUDGET MONITORING – 4<sup>TH</sup> QUARTER  
2020/21**

**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 January 2021.

**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/20/86.**
- 2. To agree to utilise up to £300k to provide interim capacity for the delivery of Corporate Priorities, that meet the conditions outlined in paragraph 2.3, to be agreed by the Head of the Paid Service in consultation with the Leader of the Council.**

## **1. INTRODUCTION AND BACKGROUND**

- 1.1 This report updates Cabinet on the likely projected outturn on the General Fund revenue budget, based on data received as at 31 January 2021.
- 1.2 General Fund projections are made against the latest approved estimate and approved virements within year to 31 January 2021.

## **2. GENERAL FUND REVENUE 2020/21 - PROJECTED OUTTURN**

- 2.1 The Quarter 4 projected outturn for service areas shows a forecast of £18,417k against the latest approved budget of £21,118k resulting in a variance of £2,701k (projected underspend).
- 2.2 When taking into account other entries such as Earmarked Reserves, Other Service Grants and Business Rates Income, the total projected outturn is a projected underspend of £1,541k. However, when taking into account the carry forward of expenditure that will be used in 2021/22 this reduces the underspend to £1,292k.
- 2.3 The Council continues to have a very ambitious agenda. Resources are required to assist the delivery of the current and emerging priorities of the Council. Due to the ongoing strong financial performance of the Council it is proposed to utilise some of the projected underspend to support the delivery of the priorities of the Council focussed on recovery at this time. Recommendation 2 of this report therefore proposes that a sum of up to £300k be allocated for flexible capacity to deliver Corporate Priorities. In order to be met from the available resources the funds will be spent only on one off items that will not have any recurring financial impact. Additionally this allocation will be used in the pursuit of agreed corporate priorities. Priority will be given to spending that can be incurred during 2021/22, in line with the recently adopted Corporate Plan, the balance of the available £300k is proposed to be allocated to an Earmarked Reserve for use during 2021/22.

2.4 The following table summarises the latest projected outturn position across the Service Units:

<b>General Fund Net Cost of Services</b>	<b>Latest Approved Budget</b>	<b>Projected Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Finance, Strategy & Corporate Services	6,725	4,265	-2,460
Human Resources	767	669	-98
Governance & Law	2,416	2,533	117
Leadership Support	960	1,000	40
Place	5,296	5,527	231
Economic Development	1,191	1,045	-146
Planning	509	18	-491
Operations	1,190	1,743	553
Strategic Development	1,143	832	-311
Housing	1,211	751	-460
Transition & Transformation	34	34	0
<b>Sub-Total – Heads of Services</b>	<b>21,442</b>	<b>18,417</b>	<b>-3,025</b>
Unallocated Net Employee Costs	-324	0	324
<b>Total – Heads of Service</b>	<b>21,118</b>	<b>18,417</b>	<b>-2,701</b>

2.5 The main variations are shown and explained in more detail below.

	<b>£'000</b>
<b>Finance, Strategy &amp; Corporate Services</b>	
Housing Benefit/Rent Rebates – increase in payments	341
Council Tax Collection – decrease in income	398
Covid-19 grants received	-2,799
Council Tax Benefits – Covid-19 grant received	-185
Council Tax Reduction Scheme – additional grant	-162
Revenues & Benefits – DWP grant	136
Corporate Priorities	91
CLT Contingency	-249
<b>Place</b>	
Hythe Swimming Pool – decrease in income	225
Local Land Charges – decrease in income	40
Recycling & Waste – additional income	-32
<b>Economic Development</b>	
Re-Opening of High Streets	92
High Street Innovation Fund	-155
<b>Planning</b>	
Development Control – additional income from Planning Performance Agreements	-130
Development Control – additional income	-130
Building Control – decrease in income	40

<b>Operations</b>	
On Street Parking – decrease in income	65
Off Street Parking – decrease in income	490
Commercial Properties – rent reduction	151
<b>Strategic Development</b>	
Otterpool Park	-137
<b>Housing</b>	
Homelessness – increase in Housing Benefit income	-125
Temporary Accommodation – reduction in costs	-80
Savings identified in 2020/21	-500
Other small variations	-86
<b>Total – Heads of Service</b>	<b>-2,701</b>

#### Finance, Strategy & Corporate Services

Housing Benefit/Rent Rebates – the projected net overspend on Housing Benefits mainly relates to the under recovery of overpayments on rent allowances and a projected increase in rent allowance payments which is partly off-set by a decrease in Rent Rebates payments.

Council Tax Collection – due to the Courts being closed this financial year there will be a reduction in the Council Tax collection income relating to court costs.

Covid-19 grant – due to the Covid-19 pandemic the Council has received emergency funding grants and covers a wide variety of costs. These include the purchase of Personal Protective Equipment (PPE), the set-up of Community Hubs, any impact on homelessness, the loss of income from parking and Hythe Swimming Pool and to help re-open the High Streets safely. The grant aims to offset these cost pressures however, these will occur within various other service areas.

Council Tax Benefits – due to Covid-19 the Council has received a grant specifically for council tax hardship and is being used to give all Council Tax Reduction Scheme (CTRS) claimants an additional £150 discount. This grant is partially offsetting some of the loss of council tax income shown under 2.6 below against the Demand on the Collection Fund.

Council Tax Reduction Scheme – the increase in income relates to grants being received from Kent County Council (KCC) in respect of additional Support Grant and Empty Homes Incentive Fund.

Revenues & Benefits - the decrease in income relates to grants being received from Department for Work & Pensions (DWP) being lower than originally anticipated.

Corporate Priorities – As part of the 2019/20 Qtr 3 budget monitoring report that went to Cabinet in January 2020 it was agreed to utilise up to £400k of the projected underspend to provide capacity to deliver corporate priorities during 19/20 and 20/21. The funds will only be spent on one off items that will not have any recurring financial impact. Any of these funds yet to be deployed will be allocated to an Earmarked Reserve for use during 2020/21 and 2021/2022.

The initiatives and projects funded in 2020/21 are as follows:

	£'000
COVID-19 Community Hub response	100
Park enhancements (including additional bin capacity and H&S equipment improvements)	53
Additional CLLD capacity	12
Sandgate Rd Car Park – additional security measures	8
	173

Approximately £82k has already been spent within service areas and a further £91k is expected to be spent by the end of the 2020/21 financial year. Activities taking the balance have been agreed for 21/22.

CLT Contingency – although the amount held by CLT to support unanticipated in year growth pressures has been budgeted in 2020/21, it is likely the majority of the expenditure will occur in 2021/22. Therefore, a carry forward will be required into next financial year and will be part of the provisional outturn report going to Cabinet in June.

#### Place

Hythe Swimming Pool – the reduction in income relates to the closure of the pool due to Covid-19 which has been closed for the majority of the financial year.

Local Land Charges – there is a reduction in income received relating to official land charge fees which is partly off-set by a decrease in land registry fee expenditure paid to KCC.

Recycling & Waste – the increase in income relates to the continuing increase in the garden waste collection subscriptions in 2020/21.

#### Economic Development

Re-Opening of High Streets – due to Covid-19 the Council has received a grant specifically for the safe re-opening of the High Streets within the District after the initial lockdown period, and is shown above under Covid-19 grant. The expenditure relating to this is for new equipment, signage, printing and posters, etc.

High Street Innovation Fund – a budget of £3m was approved by Council in February 2019 with a view to be spent over the next few years. 2020/21 is the first year of this project and is expected to underspend and be re-profiled

into 2021/22. The expenditure is funded by earmarked reserves and shown in the table under 2.6 below.

### Planning

Development Control – following the successful introduction of Planning Performance Agreements additional income is projected to be received in 2020/21.

Planning Application Fees – there is a projected over recovery of income based on previous years outturn and current trends in this financial year.

Building Control – there is projected to be a decrease in income within 2020/21 for building regulation fees.

### Operations

Car Parking - income projections for both on-street and off-street parking are projected to decrease significantly in 2020/21.

Due to the Covid-19 pandemic this has had a significant impact on the collection of parking charges and has been monitored closely throughout the financial year.

Commercial Properties – there is projected to be a loss of rental income throughout the financial year due to Covid-19.

### Strategic Development

Otterpool Park - The masterplanning costs are now classified as capital expenditure and feature in the General Fund Capital programme.

The total cost in 2020/21 for both the Developer and Local Planning Authority is projected to be £669k which will be met from the Otterpool Reserve.

### Housing

Homelessness – there is an increase in income relating to an increase in Housing Benefit payments and repayments of rents and charges due to an increase in B&B cases during 2020/21.

Savings identified in 2020/21 – Cabinet approved an Update to General Fund Budget 2020/21 report in November which looked to address the projected overspend and the year-end deficit. It proposed to rebalance the 2020/21 budget through reductions in service budgets where the impact could be carefully managed and has a minimal impact on residents.

### Transition & Transformation

Transformation Project - The transformation project was profiled over 2 years with 2019/20 being year 2, however, a longer tale of spend has been re-profiled into 2020/21.

Within the quarter 2 budget monitoring report the costs of the Transformation programme were shown within Revenue and funded by Capital however, a temporary statutory provision allows local authorities incurring revenue expenditure for staff transformation programmes and other similar initiatives

generating ongoing savings to be met from capital receipts received from the disposal of surplus assets. These costs are required to be classified as capital expenditure for accounting purposes. The Council expects to incur about £800k in costs for its Transformation programme in the current financial year to be met from qualifying capital receipts and this is now incorporated into the quarter 4 General Fund capital programme report also on this agenda.

2.6 Further variances below the Heads of Service total are shown below.

Interest Payable & Similar Charges

The projected overspend of £112k relates to an increase in the contribution of bad debt provision. This is consistent with the 2019/20 outturn position and allows for a slight increased impact in this financial year.

Interest and Investment Income

An increase of £61k investment interest is projected to be received mainly due to an improvement in returns from the Council's investments in externally managed pooled funds.

Other Non-Service related Government Grants

There is projected to be additional grant received of (£5,629k) which reflects net changes to Section 31 (s31) grant received from Ministry of Housing, Communities & Local Government (MHCLG) in relation to the expanded retail discount in response to Covid-19 which is to be fully funded by s31 grant. This increase in grant income off-sets the reduction in Business Rates income.

Capital Financed from Revenue

In line with the latest projected outturn position on the General Fund Capital Budget Monitoring report, the projected revenue funding of capital expenditure for 2020/21 is now £3,453k, an increase of £1,774k compared to the budget.

The main reasons for this increase is the approved additional funding of £2,340k to meet the cost of purchasing the former Debenhams store and £1,104k towards capitalised Otterpool Park masterplanning costs, partly offset by the reprofiling of £1,000k towards the redevelopment of land at Biggins Wood and £733k for the Mountfield Business Hub scheme, both of which have been delayed until 2021/22.

Movement in Earmarked Reserves

The projected movement on Earmarked Reserves of (£1,292k) is largely due to the release of (£2,470k) for the purchase of the former Debenhams store and (£835k) for the reprofiled expenditure for Otterpool Park, mainly off-set by £1,000k for the reprofiling of Biggins Wood and £733k for the reprofiling of Mountfield Business Hub with other net movements of £280k.

Reserve	Balance at 1/4/2020 £'000	Latest Budget £'000	Projection £'000	Change £'000	Balance at 31/3/2021 £'000
<b>Earmarked</b>					
Business Rates	5,699	-4,426	-3,565	861	2,134
Leisure Reserve	497	-100	50	150	547
Carry Forwards	681	-317	-317	0	364
VET Reserve	257	-50	26	76	283
Invest to Save	366	-366	-366	0	0
Maintenance of Graves	12	0	0	0	12
New Homes Bonus (NHB)	2,360	-18	-18	0	2,342
Corporate Initiatives	998	-218	-525	-307	473
IFRS Reserve	30	-23	-23	0	7
Otterpool Park Garden Town	1,570	-735	-1,570	-835	0
Economic Development	4,384	-2,239	-2,974	-735	1,410
Community Led Housing	418	-52	-52	0	366
Lydd Airport	9	0	0	0	9
Homelessness Prevention	401	0	137	137	538
High Street Regeneration	3,000	-468	-1,053	-585	1,947
Climate Change	0	5,000	4,947	-53	4,947
<b>Total Earmarked Reserves</b>	<b>20,682</b>	<b>-4,012</b>	<b>-5,303</b>	<b>-1,291</b>	<b>15,379</b>

### Business Rates Income

Business Rates income has decreased by £5,877k compared to budget. This relates to a reduction in business rates income due to the additional reliefs awarded as part of the expanded retail discount announced by the Government in response to Covid-19 which is compensated by the increase in s31 grant and an increase in the provision for bad debts based on the estimated impact on the collection rate during the year.

### Demand on the Collection Fund

The reduction in Council Tax income of £379k relates to additional reliefs awarded as a result of Covid-19 and the estimated impact on the collection rate during the year.

- 2.7 With the above variances added to the service areas favourable variance of £2,701k, the overall position for the general fund shows a projected underspend of £1,541k, however when taking into account the carry forward of expenditure that will be used in 2021/22 this reduces the underspend to £1,292k.

## **3. CONCLUSIONS**

- 3.1 The projected outturn shown for the General Fund revenue account for 2020/21 reflects the position based on actual expenditure and forecasts at 31 January 2021. The provisional outturn will be reviewed and reported to Cabinet in June 2021.



#### 4. RISK MANAGEMENT ISSUES

4.1 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

#### 5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 **Legal Officer's Comments** (NM)

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

5.2 **Finance Officer's Comments** (LH)

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

5.3 **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. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

*Leigh Hall, Case Management Lead (Corporate Services)*

*Telephone: 01303 853231 Email: [leigh.hall@folkestone-hythe.gov.uk](mailto:leigh.hall@folkestone-hythe.gov.uk)*

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

Budget projection working papers.