

This Report will be made public on 7 June 2021

Report Number **C/21/09**

To: Cabinet
Date: 23 June 2021
Status: Non-Key Decision
Head of Service: Charlotte Spendley – Director Corporate Services
Cabinet Member: Councillor David Monk, Leader

SUBJECT: GENERAL FUND REVENUE 2020/21 PROVISIONAL OUTTURN

SUMMARY: This report summarises the 2020/21 final outturn position (subject to audit) for the General Fund revenue expenditure compared to both the latest approved budget and quarter 4 projections.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because Cabinet needs to be informed of the council's General Fund revenue 2020/21 final outturn position.

RECOMMENDATIONS:

1. To receive and note Report C/21/09.
2. As detailed in paragraph 2.7, to allocate £393k of unspent 2020/21 budgets to the Carry Forward Reserve.

1. INTRODUCTION

- 1.1 This report brings the 2020/21 financial monitoring to a conclusion. It sets out the General Fund's financial position at year end (subject to audit) and compares it against the latest approved budget and the projected outturn position at quarter 4.
- 1.2 The Statement of Accounts for 2020/21 will be audited during July and August and the audited set will be submitted to Audit and Governance Committee at its September meeting for approval.

2. GENERAL FUND OUTTURN 2020/21

- 2.1 The draft Statement of Accounts 2020/21 reports the following year end position. This report however expands further on the detail.
- 2.2 The final outturn shows a net deficit for the year of £5.7m against the latest approved budget of £2.4m. This represents an unfavourable variance of £3.3m compared to the latest approved 2020/21 budget.
- 2.3 It is important to note that this deficit position includes a transfer to earmarked reserves of £5.8m which is an accounting entry required to comply with Collection Fund accounting regulations and in line with guidance received from CIPFA. It relates to additional s31 grant funding received in year to compensate for the new Business Rates reliefs awarded by the Government in response to Covid. Due to the timing of Collection Fund accounting, the awarding of these reliefs will result in a deficit on the Collection Fund which will hit the General Fund in 2021/22, therefore the income has been set aside in an earmarked reserve to be drawn down next year to mitigate the impact.
- 2.4 Excluding this accounting adjustment the outturn position is a surplus of (£0.1m), which is an underspend of (£2.5m). This is £1.0m higher than the projected underspend reported at quarter 4 with the main reasons for the movement being (£714k) net Disabled Facilities Grant funding received and a (£259k) reduction in the use of revenue to fund capital due to the use of capital receipts instead.
- 2.5 A more detailed explanation of the final outturn is set out in the following paragraphs. In addition to the carry forwards (which are set out below), £300k has been allocated to an earmarked reserve to support the delivery of recovery focussed priorities of the Council in response to the pandemic as approved by Cabinet at its meeting in March.
- 2.6 After all statutory accounting adjustments have been made at year-end, which are not included in management reporting, there is a surplus on the General Fund of £513k which will be transferred to the General Reserve where it will be available for use to support expected future expenditure pressures. The General Reserve balance at the end of 2020/21 is anticipated to be £3.8m

2.7 The provisional carry forwards are £393k which were approved by the Section 151 Officer as budgeted revenue expenditure relating to 2020/21 to be carried forward to 2021/22. Recommendation 2 of this report seeks confirmation of this position, and appendix 1 outlines the proposed carry forwards by service area.

2.8 Section 3 of the report compares the outturn to the projected outturn at quarter 4 as reported to Cabinet in March 2021. The outturn for the General Fund Revenue in 2020/21 compared to the latest budget is summarised below:

General Fund Net Cost of Services	Latest Approved Budget	Outturn	Variance
	£'000	£'000	£'000
Finance, Strategy & Corporate Services	6,714	6,585	(129)
Human Resources	767	651	(116)
Governance & Law	2,451	2,499	48
Leadership Support	960	1,002	42
Place	5,296	5,549	253
Economic Development	1,191	758	(433)
Planning	509	79	(430)
Operations	1,200	2,590	1,390
Strategic Development	1,143	767	(376)
Housing	1,212	1,364	152
Transition & Transformation	34	10	(24)
Sub-Total - Heads of Service	21,477	21,854	377
Unallocated Net Employee Costs	(324)	-	324
Recharges to Non General Fund Accounts	-	(1,337)	(1,337)
Total – Heads of Service	21,153	20,517	(636)
Internal Drainage Board Levies	474	474	-
Interest Payable and Similar Charges	486	244	(242)
Interest and Investment Income	(793)	(1,864)	(1,071)
New Homes Bonus Grant	(1,422)	(1,422)	-
Other Non-Service Related Government Grants	(1,792)	(9,789)	(7,997)
Town and Parish Precepts	2,549	2,549	-
Minimum Revenue Provision	874	775	(99)
Capital Expenditure Financed from Revenue	1,679	3,194	1,515
NET REVENUE EXPENDITURE BEFORE USE OF RESERVES	23,208	14,678	(8,530)
Net Transfers to/from Earmarked Reserves	(4,049)	2,891	6,940
TOTAL TO BE MET BY TAXPAYERS	19,159	17,211	(1,948)
Business Rates Income	(3,753)	959	4,712
Demand on the Collection Fund	(13,045)	(12,878)	167
SURPLUS(-)/DEFICIT FOR THE YEAR	2,361	5,650	3,289

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

	£'000
Administration budgets	(207)
Finance, Strategy & Corporate Services	
Covid-19 grants received	(768)
Otterpool (Local Planning Authority)	270
Council Tax Collection	472
Housing Benefits	328
Council Tax Reduction Scheme	(249)
Corporate Management	(107)
Housing	
Renovation Loans	(714)
Homelessness	(147)
Strategic Development	
Otterpool Park	(398)
Economic Development	
Regeneration & Economic Development	(219)
High Street Innovation fund	(180)
Planning	
Development Control	(152)
Operations	
Connect 38	1,101
Grounds Maintenance	(111)
Folca	134
Off-Street Parking	448
Place	
Hythe Swimming Pool	203
Other small variations	(340)
Total – Heads of Service	(636)

2.9.1 Administration Budgets

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

2.9.2 Finance, Strategy & Corporate Services

Covid-19 grant – due to the Covid-19 pandemic the Council has received various grants to cover 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 sales, fees and charges

and to help re-open the High Streets safely. The grants aim to offset these cost pressures however, these will occur within various other service areas.

Otterpool (Local Planning Authority) – Professional fees of £148k and temporary staff costs of £105k. The cost will be met by the Otterpool Reserve.

Council Tax Collection – due to the Courts being closed since the beginning of the pandemic there was no court cost income received, totalling £400k. In addition, there was an unbudgeted write-off of court cost income totalling £63k.

Housing Benefit/Rent Rebates – the net overspend of £328k on Housing Benefits mainly relates to the under recovery of overpayments on rent allowances £406k and a projected increase in rent allowance payments £83k which is partly off-set by unspent Covid related funding received for DHSC Test and Trace and self-isolation payments of (£161k) which have been transferred to an earmarked reserve for use in 2021/22.

Council Tax Reduction Scheme – (£280k) increase in income relates to grants being received from Kent County Council (KCC), in respect of additional Support Grant and Empty Homes Incentive Fund, partly offset by unbudgeted computer software costs £31k.

Corporate Management – favourable variance of (£107k). This is mostly due to an accounting adjustment of £584k for Transformation costs being funded from the flexible use of capital receipts, offset by (£492k) budget savings identified by budget managers during the year in response to the pandemic and additional cost pressures and (£237k) unused CLT contingency.

2.9.3 Housing

Renovation Loans – (£714k) net Disabled Facilities Grant funding received in year.

Homelessness – there is an increase in income of (£285k) 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. This is partly offset by an overspend on B&B costs of £137k.

2.9.4 Strategic Development

Otterpool Park – The unfavourable variance of £398k is the net impact of costs capitalised, with the balance being met from the Otterpool Reserve.

2.9.5 Economic Development

Regeneration & Economic Development – The £219k underspend was largely explained by the cancellation of the 2020/21 Triennial which will now take place in 2021/22. This expenditure is funded from the Leisure Reserve and has been carried forward to 2021/22.

High Street Innovation Fund – the underspend of (£180k) relates to projects being delayed due to the pandemic. Expenditure is funded from the High

Street Regeneration Reserve and so this has been carried forward to 2021/22.

2.9.6 Planning

Development Control – income for planning application fees were £171k higher than budget, but they were partly offset by £9k overspend within professional fees expenditure and reduced income for Pre-Application fees £10k.

2.9.7 Operations

Connect 38– £950k reclassification of commercial property income as investment income and £210k lower rental income than budgeted partly offset by savings in Professional fees of (£40k) and net service charge costs (£23k).

Grounds Maintenance – Savings in seasonal staffing costs of (£111k).

Folca – Unexpected income from NHS vaccine site (£30k) partly offsetting running costs £160k.

Car Parking - off-street parking has been adversely affected by the pandemic due to lockdown measures in place during the year and the income budget has been under achieved by £448k.

2.9.8 Place

Hythe swimming pool – loss of income due to pool closure as a result of lockdown measures £203k.

2.10 Further variances below the heads of service total are shown below.

2.10.1 Interest Payable and Similar Charges

The (£242k) favourable variance relates to a reduction in the bad debt provision based on latest analysis of arrears data.

2.10.2 Interest and Investment Income

The favourable variance of (£1.1m), largely relates to the reclassification of commercial property income from property holding accounts (mainly Connect 38).

2.10.3 Other Non-Service related Government Grants

Additional grants of (£8.0m) have been received in 2020/21 compared to budget, largely as a result of Covid funding announced during the year.

(£5.7m) of additional s31 grant was received to compensate for new Covid business rates reliefs (this offsets the reduction in income shown against Business Rates income). (£2.0m) of Covid emergency grants were received to compensate for additional expenditure incurred as a result of the response to Covid and loss of income. (£150k) of Brexit funding was received and £124k s31 grant for loss of council tax income as part of the government's Tax Income Guarantee Scheme.

2.10.4 Capital Financed from Revenue

There was an additional £1.5m capital expenditure funded from revenue in-year compared to budget. This is the net position relating to the £2.3m purchase of Folca, £902k capitalisation of Otterpool Masterplanning costs and (£1.7m) expenditure re-profiled to 2021/22 for Biggins Wood and Mountfield Business Hub projects. Expenditure for all of these schemes is to be met from earmarked reserves.

2.10.5 Movement in Earmarked Reserves

The table below sets out the various Earmarked Reserves that the council holds and shows the movement in year to be £2.9m.

The Carry Forward reserve includes £393k which was approved by the Section 151 Officer as budgeted revenue expenditure relating to 2020/21 to be carried forward to 2021/22 and will be endorsed through the approval of recommendation 2 of this report.

The main reasons for the £6.9m variance are (£2.3m) use of reserves to purchase Folca, £5.8m of s31 grants received in 2020/21 for Covid business rates reliefs transferred to reserves to offset the Business Rates deficit in 2021/22 (due to the timing of Collection Fund accounting), £1.7m funding for Biggins Wood and Mountfield Rd Industrial Estate capital projects deferred to 2021/22, £1m Business Rates pool benefit (subject to final reconciliation by the Pool Lead) transferred to reserves, £400k unspent Covid Grants transferred to reserves for use in 2021/22 and £300k earmarked for Corporate Priorities focussed on recovery in 2021/22.

Based on the outturn as at 31 March 2021 the council's net movements in earmarked reserves were:

Earmarked Reserve	Balance at 1/4/2020	Latest Budget	Movement	Outturn Variance	Balance at 31/3/2021
	£'000	£'000	£'000	£'000	£'000
Business Rates	5,699	(4,426)	(2,976)	1,450	2,723
Leisure Reserve	497	(100)	50	150	547
Carry Forwards	681	(352)	10	362	691
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	(220)	(400)	(180)	598
IFRS Reserve	30	(23)	(23)	0	7
Otterpool Park Garden Town	1,570	(735)	(1,570)	(835)	0
Economic Development	4,384	(2,239)	(2,393)	(154)	1,991
Community Led Housing	418	(52)	(53)	(1)	365
Lydd Airport	9	0	0	0	9
Homelessness Prevention	401	0	87	87	488
High Street Regeneration	3,000	(468)	(930)	(462)	2,070
Climate Change	0	5,000	4,946	(54)	4,946
Covid Reserve	0	0	6,501	6,501	6,501
Total Earmarked Reserves	20,682	(4,049)	2,891	6,940	23,573

2.10.6 Business Rates Income

The reduction of £4.7m in Business Rates income is largely due to £5.5m of increased reliefs being awarded due to Covid (which are compensated via the additional s31 grants shown against Non-Service Related Government Grants), offset by (£0.7m) higher pool benefit than budgeted (subject to final reconciliation by the Pool Lead).

2.11 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 interim capacity for the delivery of agreed Corporate Priorities. The funding was allocated to an earmarked reserve for future use. In order to be met from the available resources the funds were to be spent only on one off items and would not have any recurring financial impact. To date, £94k has been spent and the following initiatives and projects are currently proposed to be implemented in 2021/22:

	£'000
Heritage enhancements	39
Pesticide motion	30
Park enhancements (including H&S equipment improvements)	30
Development of new ED Strategy	50
Additional CLLD capacity	12
Lifeline Strategy	23
Total	184

GENERAL FUND OUTTURN 2020/21 COMPARED TO PROJECTED OUTTURN

3.1 This section compares the final outturn to the projected outturn at quarter 4 as reported to Cabinet in March 2021.

General Fund Net Cost of Services	Projected Outturn @ Qtr 4	Outturn	Variance
	£'000	£'000	£'000
Finance, Strategy & Corporate Services	4,174	6,585	2,411
Human Resources	669	651	(18)
Governance & Law	2,533	2,499	(34)
Leadership Support	1,000	1,002	2
Place	5,527	5,549	22
Economic Development	1,045	758	(287)
Planning	18	79	61
Operations	1,743	2,590	847
Strategic Development	832	767	(65)
Housing	2,045	1,364	(681)
Transition & Transformation	34	10	(24)
Sub-Total – Heads of Services	19,620	21,854	2,234
Corporate Initiatives	91	-	(91)
Recharges to Non General Fund Accounts	(1,294)	(1,337)	(43)
Total – Heads of Service	18,417	20,517	2,100

3.1.1 The major reasons for the variance at 'Total - Heads of Service' level are as follows:

	£'000
Administration budgets	(94)
Finance, Strategy & Corporate Services	
Covid-19 grants received transferred to non-service related income	2,031
Housing	
Renovation Grants – net Disabled Facilities Grant funding received	(714)
Operations	
Connect 38 income reclassified as investment income	969
Other small variations	(92)
Total – Heads of Service	2,100

3.1.2 The income relating to the Covid-19 grants and Connect 38 are shown below the line in Other Non-Service Related Government Grants and Interest and Investment Income respectively so the adverse variance shown above does not impact the contribution to the general reserve.

4. RISK MANAGEMENT ISSUES

4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Significant amendments having to be made to the financial results following audit.	Medium	Low	The formal accounts have been prepared in accordance with professional standards and best accounting practice.

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 (MD)

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

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

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

Budget outturn and projection working papers.

Appendices:

Appendix 1 – List of carry forwards

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