

This Report will be made public on 16 November 2021

Report Number **C/20/48**

To: Cabinet
Date: 24 November 2021
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 2021/22

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 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/20/48.**

1. INTRODUCTION AND BACKGROUND

- 1.1 This report updates Cabinet on the likely projected outturn on the General Fund Revenue budget for 2021/22.
- 1.2 The projections are made against the latest approved budget and based on data received as at 31 August 2021. 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 2021/22 - PROJECTED OUTTURN

- 2.1 The Quarter 2 projected outturn for service areas shows a forecast of £24,535k against the latest approved budget of £23,709k resulting in a variance of £826k (projected overspend). It should be noted that this projection includes £792k of service expenditure which is to be funded from reserves from 20/21 carry forwards 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 (£511k).
- 2.3 The following table summarises the latest projected outturn position:

General Fund Net Cost of Services	Latest Approved Budget	Projected Outturn	Variance
	£'000	£'000	£'000
Finance, Strategy & Corporate Services	6,233	6,910	677
Human Resources	558	619	61
Governance & Law	2,452	2,567	115
Leadership Support	907	889	(18)
Place	6,589	6,240	(349)
Economic Development	1,340	1,601	261
Planning	185	209	24
Operations	2,627	2,347	(280)
Strategic Development	72	135	63
Housing	3,355	3,018	(337)
Sub-Total – Heads of Services	24,318	24,535	217
Unallocated Net Employee Costs	(609)	-	609
Total – Heads of Service	23,709	24,535	826
Internal Drainage Board Levies	484	484	-
Interest Payable and Similar Charges	739	583	(156)
Interest and Investment Income	(754)	(1,020)	(266)
New Homes Bonus Grant	(836)	(836)	-
Other Non-Service Related Government Grants	(1,971)	(3,923)	(1,952)
Town and Parish Council Precepts	2,594	2,594	-
Minimum Revenue Provision	886	1,211	325
Capital Expenditure Financed from Revenue	1,280	757	(523)
Net Revenue Expenditure before Use of Reserves	26,131	24,385	(1,746)

Net Transfer to/from(-) Earmarked Reserves	(2,895)	(9,600)	(6,705)
Total to be met by Taxpayers	23,236	14,785	(8,451)
Transfer to/from(-) the Collection Fund	67	67	-
Business Rates Income	(3,905)	4,141	8,046
Demand on the Collection Fund	(13,128)	(13,234)	(106)
Surplus (-)/Deficit for the year	6,270	5,759	(511)

2.4 The main variances are shown below:

	£'000
Service expenditure to be funded from reserves:	
Covid Funding expenditure (carried forward from 2020/21)	260
Corporate Priorities spend (carried forward from 2020/21)	164
Corporate Investment Initiatives (carried forward from 2020/21)	157
High Street Innovation Fund (carried forward from 2020/21)	155
Strategic Delivery Team – salary costs	56
Services:	
Council Tax Collection – decrease in income	300
Waste – net increase in annual contract cost	90
Car Parking – increased income	(158)
Other Items (below the Net Cost of Services):	
Movement in Earmarked Reserves	(1,258)
Interest & Investment Income	(266)
Interest Payable & Similar Charges	(156)
Demand on Collection Fund	(230)
Business Rates Income	277
Other net variances	118
Total net projected General Fund Reserve increase	(511)

2.5 Explanations for the main variances are detailed below:

Service expenditure to be funded from reserves

Covid Funding Expenditure - The Council received grants in 2020/21 specifically for Test & Trace, Council Tax Hardship and Compliance & Enforcement in relation to the pandemic. Unspent funding was transferred to earmarked reserves at the end of the year and is expected to be fully utilised in 2021/22.

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 Corporate Priorities. In order to be met from the available resources the funds are to be spent only on one off items and will not have any recurring financial impact. The unspent funding at the end of 2020/21 was allocated to an earmarked reserve and the remaining initiatives and projects anticipated to be implemented this year are:

	£'000
Heritage enhancements	39
Pesticide motion	30
Park enhancements (including H&S equipment improvements)	20
Development of new ED Strategy	50
Additional CLLD capacity	12
Lifeline Strategy	13
Total	164

Corporate Investment Initiatives – Consultancy work on Folkestone Town Centre initiatives, including FOLCA. Expenditure is funded from the Economic Development reserve.

High Street Innovation Fund – Anticipated spend on High Street projects this financial year which was delayed from 2020/21 due to the pandemic. Expenditure is funded from the High Streets Regeneration reserve.

Strategic Delivery Team - Projected part year staffing costs for the new Strategic Delivery Team approved by Cabinet in September 2021 (C/21/32) to deliver the Council's Corporate Plan. Expenditure is to be funded from earmarked reserves.

Services

Council Tax Collection – Reduction in court costs income due to reduced court hearings this year as they reopen following the pandemic.

Waste – The net increase in the annual contract cost has arisen due to the new contractual arrangements. The net position is reflective of both the financing cost of the waste vehicles and additional contractual costs (which were lower as a result of the decision to purchase the fleet vehicles).

Car Parking – Parking income is now recovering following the pandemic and increases in income are expected for off street parking charges, parking fines, and on street residents parking permits.

Other Items (below the Net Cost of Services)

Movement in Earmarked Reserves - The key movements are (£736k) assumed use of monies carried forward from 2020/21, (£466k) budgeted contributions to reserves for Council Tax grants removed as funds received in 2020/21 and (£56k) use of reserves to fund the new Strategic Development Team to deliver the Council's Corporate Plan.

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

Reserve	Balance at 1/4/2021 £'000	Latest Budget £'000	Projection £'000	Change £'000	Balance at 31/3/2022 £'000
Earmarked					
Business Rates	2,722	225	(821)	(1,046)	1,901
Leisure Reserve	547	(100)	(100)	0	447
Carry Forwards	691	(32)	(125)	(93)	566
VET Reserve	283	(66)	34	100	317
Invest to Save	0	0	0	0	0
Maintenance of Graves	12	0	0	0	12
New Homes Bonus (NHB)	2,342	(344)	(344)	0	1,998
Corporate Initiatives	598	(349)	(529)	(180)	69
IFRS Reserve	8	(2)	(3)	(1)	5
Otterpool Park Garden Town	0	0	0	0	0
Economic Development	1,991	(1,134)	(192)	942	1,799
Community Led Housing	365	(55)	(55)	0	310
Lydd Airport	9	0	0	0	9
Homelessness Prevention	488	98	98	0	586
High Street Regeneration	2,070	(830)	(1,016)	(186)	1,054
Climate Change	4,946	(306)	(346)	(40)	4,600
Covid Recovery	6,501	0	(6,201)	(6,201)	300
Total Earmarked Reserves	23,573	(2,895)	(9,600)	(6,705)	13,973

Interest Payable & Similar Charges - Lower interest payable resulting from lower interest rates secured and reduced borrowing due to delays in planned capital expenditure.

Interest and Investment Income - Increased interest and investment income receivable resulting from higher returns from pooled investment funds and anticipated interest due from the Otterpool loan.

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

Business Rates Income – A reduction in Business Rates income is projected based on current collection rates.

3. CONCLUSIONS

- 3.1 The projected outturn shown for the General Fund Revenue account for 2021/22 reflects the position based on actual expenditure and forecasts at 31 August 2021 and projects an underspend of (£511k).

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 (CI)

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.

5.4 Climate Change Implications (OF)

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

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Cheryl Ireland, Chief Financial Services Officer

Telephone: 01303 8532 13 Email: cheryl.ireland@folkestone-hythe.gov.uk

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

Budget projection working papers.