

This Report will be made public on 12 September 2023

Report Number **C/23/38**

**To:** Cabinet  
**Date:** 20 September 2023  
**Status:** Non-Key Decision  
**Head of Service:** Lydia Morrison – Interim Director of Corporate Services  
**Cabinet Member:** Councillor Tim Prater, Deputy Leader, and Cabinet Member for Finance

**SUBJECT: GENERAL FUND REVENUE BUDGET MONITORING –1<sup>ST</sup> QUARTER (Q1) 2023/24**

**SUMMARY:** This report sets out the financial monitoring information for the Council as at 30 June 2023, i.e., Q1 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 1, there is a favourable projected position of £278k on the Council's revised net revenue budget, of £28.1m. This position is based on activity as at 30 June 2023, projected trends in income and expenditure and changes to Council funding.

#### **REASONS FOR RECOMMENDATIONS:**

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.

#### **RECOMMENDATIONS:**

- 1. To receive and note Report C/23/38.**
- 2. Note the progress on delivery of the 2023/24 savings programme at Q1**

## 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 first round of budget monitoring for the financial year and provides the latest set of data at Q1 which can be considered the most accurate to date, given that the council is in month 3 of the financial year and has few months of data to use in projections.
- 1.2 The projections are made against the latest approved budget and based on data received from Budget Managers. This Q1 report will be the first budget monitoring report for the financial year before the final outturn position is considered at year-end before the council closes its accounts for 2022/23.

### **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 April, prices were 8.7% 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 5.0% (June 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.
- 1.5 The Bank of England expect inflation to fall to around 5% by the end of this year, with the expectation for inflation to continue to fall next year and meet the target of 2% by late 2024.

## 2. CONTEXT FOR THE Q1 PERIOD MONITORING – THE COUNCIL'S OVER-ARCHING 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.
- 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 spending wherever possible for the remainder of the 2023/24 financial year and be prudent in the use of resources on discretionary items, but without compromising front line services to residents.
- 2.4 The results for the Q1 budget monitoring have been assembled and also been reviewed by Finance Team officers.

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

3.1 The Q1 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 1, there is an overall projected revenue underspend position of £278,000 against the Council's revised net revenue budget of £28.1m, which is equivalent to a variance of 0.98% on the current annual budget.

Table 1 – Q1 Budget Monitoring Statement

General Fund Net Cost of Services	Latest Approved Budget	Actuals	Qtr 1 Projected Outturn	Variance
	£000	£000	£000	£000
Finance, Strategy & Corporate Services	8,581	1,049	8,319	(262)
Human Resources	637	175	638	2
Governance & Law	3,005	1,380	3,181	176
Leadership Support	745	241	730	(15)
Place	6,788	(30)	6,864	76
Economic Development	469	544	508	39
Planning	191	(138)	160	(31)
Operations	2,614	114	2,462	(152)
Housing	3,114	256	3,105	(9)
<b>Sub-Total - Heads of Service</b>	<b>26,144</b>	<b>3,592</b>	<b>25,968</b>	<b>(176)</b>
Unallocated Net Employee Costs	(441)	-	-	441
<b>Total for Service</b>	<b>25,703</b>	<b>3,592</b>	<b>25,968</b>	<b>265</b>
Internal Drainage Board Levies	541	136	541	-
Interest Payable and Similar Charges	2,502	(421)	2,502	-
Interest and Investment Income	(2,521)	(24)	(2,521)	-
New Homes Bonus Grant	(366)	-	(366)	-
Other Non-Service Related Government Grants	(4,617)	(700)	(4,758)	(141)
Town and Parish Council Precepts	2,801	1,415	2,801	-
Minimum Revenue Provision	1,625	-	1,625	-
Capital Expenditure Financed from Revenue	2,487	-	2,487	-
<b>NET REVENUE EXPENDITURE BEFORE USE OF R</b>	<b>28,155</b>	<b>3,998</b>	<b>28,279</b>	<b>124</b>
<b>TOTAL TO BE MET FROM TAXPAYERS &amp; FORMU</b>	<b>25,974</b>	<b>3,998</b>	<b>26,099</b>	<b>125</b>
Transfer to/from(-) the Collection Fund	-	(365)	-	-
Revenue Support Grant and Re-distributed NNDR	-	993	-	-
Business Rates Income	(3,921)	1,874	(4,184)	(263)
Demand on the Collection Fund	(14,290)	-	(14,430)	(140)
<b>SURPLUS(-)/DEFICIT FOR THE YEAR</b>	<b>7,763</b>	<b>6,500</b>	<b>7,485</b>	<b>(278)</b>

- 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 reserved, collection fund, levies, precepts, and any other technical budget adjustments. These budgets/costs are kept separate for accounting and service classification reasons under the 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 £262k, and the table below shows the major variations against the latest budget with detailed descriptions as follows:

<b>Description</b>	<b>£000</b>
ICT Admin teams are reporting an underspend due to the Digital & ICT Lead Specialist vacancy	(112)
Underspends due to various vacancies across the services, including Case Management (Corporate Services) and Strategy Policy & Performance.	(280)
Revenue and Benefit services are expected to fund the cost of additional staff through the DWP grant funding in 2022/23.	(34)
The internal audit service being provided by the East Kent Audit Partnership is projected to overspend due to an increase in EKAP charge.	23
The remaining under/overspend are due to other minor variations within the service.	141
<b>TOTAL</b>	<b>(262)</b>

### 3.5.2 **Governance & Law**

The Governance & Law are forecasting an overspend of £176k, and the table below shows the major variations against the latest budget with detailed descriptions as follows:

<b>Description</b>	<b>£000</b>
Projected to overspend due to increase in ICT supports/charges, NI increases, etc.	102
Projected overspends were due to secondment arrangements, maternity leave and backfill cover arrangements with the Legal, Electoral, and Communications Services.	71
The remaining overspending is due to other minor variations within the service.	3
<b>TOTAL</b>	<b>176</b>

### 3.5.3 Place

The Place Services are forecasting an overspend of £76k, and the table below shows the major variations against the latest budget with detailed descriptions as follows:

<b>Description</b>	<b>£000</b>
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.	291
Projected underspend as a result of various vacancies within the Customer Services, Environmental Protection, Area Offices, and Hythe Swimming Pool	(220)
The remaining overspend projections are due to other minor variations within the service.	5
<b>TOTAL</b>	<b>76</b>

### 3.5.4 Operations

Operations Services are forecasting an underspend of £152k, and the table below shows the major variations against the latest budget with detailed descriptions as follows:

<b>Description</b>	<b>£000</b>
Increases regarding the Community Parks & Open Spaces waste contract	19
Projected underspend as a result of various vacancies within the Lifeline Facilities, Maintenance Offices, Engineering and Buildings, Estates/Assets, and Strategic Development.	(345)

Description	£000
This is due to the Vehicle compensation, Transport hire costs and the net effect of vacancy savings with the Grounds Maintenance service.	(62)
Projected increase regarding the Connect 38 service charges (further update would be provided within the Q2 monitoring report)	227
The remaining overspend projections are due to other minor variations within the service.	9
<b>TOTAL</b>	<b>(152)</b>

### 3.5.5 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
<b>TOTAL</b>	<b>76</b>

- 3.6 The electricity and gas prices are still volatile, £230k were added to the base budget and 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.
- 3.8 The 2022/23 provisional outturn (pending the final audit) has now been completed and the previously reported figures have been revised as follows-

- The final general fund revenue underspend has increased slightly to **£1.030m**, as opposed to the £0.993m which was reported as provisional outturn at Cabinet to 12 July 2023.
- The GF working balance will increase to **£6.837m** when the £1.030m underspend is added. The Council had previously reported £6.720m as the equivalent provisional number.
- Overall, GF revenue working balance and earmarked reserves combined balance now stand at **£21.708m** compared to the equivalent number of £22.27m in the provisional outturn. There has been a slight decrease due to some final minor adjustments to the Business Rate reserve and Covid reserve for Collection Fund adjustments.

#### 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 Q1.

#### 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 30 June 2023 and projects an underspend of £278k for 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 (OO)**

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**

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 projection working papers.