

This Report will be made public on 8 June 2022

Report Number **C/22/10**

To: Cabinet
Date: 16 June 2022
Status: Non-Key Decision
Head of Service: Charlotte Spendley – Director Corporate Services
Cabinet Member: Councillor David Monk, Leader

SUBJECT: GENERAL FUND REVENUE 2021/22 PROVISIONAL OUTTURN

SUMMARY: This report summarises the 2021/22 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 2021/22 final outturn position.

RECOMMENDATIONS:

1. To receive and note Report C/22/10.
2. As detailed in paragraph 2.4, to allocate £1,049k of unspent 2021/22 budgets to the Carry Forward Reserve.

1. INTRODUCTION

- 1.1 This report brings the 2021/22 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 2021/22 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 2021/22

- 2.1 The draft Statement of Accounts 2021/22 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 £1.4m against the latest approved budgeted deficit of £6.3m. This represents a favourable variance of £4.9m compared to the latest approved 2021/22 budget.
- 2.3 It is important to note that this deficit position includes a net transfer from earmarked reserves of (£3.3m) which relates to the Collection Fund and the required accounting entries to comply with Collection Fund accounting regulations. It relates to the additional Covid reliefs awarded by the Government in 2020/21 and 2021/22 to businesses impacted by the pandemic. Due to the timing of Collection Fund accounting, the awarding of these reliefs result in a deficit to the General Fund in the subsequent year. An amount of £5.8m was set aside in earmarked reserves at the end of 2020/21 to offset the impact to the General Fund in 2021/22 and (£5.6m) has been drawn down. At the end of 2021/22 an amount of £2.3m has been set aside to offset the anticipated adverse impact on the General Fund in 2022/23.
- 2.4 Excluding this amount the outturn position is a deficit of £4.7m, which is an underspend of (£1.6m). This is (£1.5m) higher than the projected underspend reported at quarter 4 with the main reasons for the movement being (£552k) net Disabled Facilities Grant funding received, (£347k) lower interest payable due to delays in planned capital expenditure to be met from borrowing, (£304k) additional parking income received and (£240k) net Garden Communities funding received to offset expenditure on Otterpool Park.
- 2.5 A more detailed explanation of the final outturn is set out in the following paragraphs. 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 £1.9m 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 2021/22 is anticipated to be £5.7m.
- 2.6 When the 2021/22 budget was set it was agreed to utilise £496k of earmarked reserves (£250k from the Climate Change Reserve and £246k

from the Corporate Initiatives Reserve) to bridge the budget gap. Given the outturn position is favourable compared to the latest budget, there has not been a requirement to utilise the earmarked reserves for this purpose and so the funds remain within the respective reserves.

- 2.7 The provisional carry forwards are £1,049k which were approved by the Section 151 Officer as budgeted revenue expenditure relating to 2021/22 to be carried forward to 2022/23. 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 April 2022. The outturn for the General Fund Revenue in 2021/22 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	6,253	5,777	(476)
Human Resources	571	634	63
Governance & Law	2,459	2,396	(63)
Leadership Support	908	904	(4)
Place	6,627	5,654	(973)
Economic Development	1,673	1,078	(595)
Planning	255	178	(77)
Operations	2,669	2,487	(182)
Strategic Development	55	(215)	(270)
Housing	3,349	2,048	(1,301)
Transition & Transformation	-	(8)	(8)
Sub-Total - Heads of Service	24,819	20,933	(3,886)
Unallocated Net Employee Costs	(609)	-	609
Total – Heads of Service	24,210	20,933	(3,277)
Internal Drainage Board Levies	484	483	(1)
Interest Payable and Similar Charges	739	240	(499)
Interest and Investment Income	(754)	(2,057)	(1,303)
New Homes Bonus Grant	(836)	(836)	-
Other Non-Service Related Government Grants	(1,971)	(5,248)	(3,277)
Town and Parish Precepts	2,594	2,594	-
Minimum Revenue Provision	886	1,211	325
Capital Expenditure Financed from Revenue	1,280	933	(347)
NET REVENUE EXPENDITURE BEFORE USE OF RESERVES	26,632	18,253	(8,379)
Net Transfers to/from Earmarked Reserves	(3,376)	(2,322)	1,054
TOTAL TO BE MET BY TAXPAYERS	23,256	15,931	(7,325)
Transfer to/from(-) the Collection Fund	67	-	(67)
Business Rates Income	(3,905)	(1,194)	2,711
Demand on the Collection Fund	(13,128)	(13,370)	(242)
SURPLUS(-)/DEFICIT FOR THE YEAR	6,290	1,367	(4,923)

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

	£'000
Administration budgets	124
Finance, Strategy & Corporate Services	
Corporate Management	(214)
General Grants	(167)
Covid-19	(153)
Place	
Recycling and Waste	(400)
Cleansing	(188)
Hythe Swimming Pool	(98)
Economic Development	
High Street Innovation Fund	(784)
Corporate Investment Initiatives	(126)
Operations	
Connect 38	819
On-Street Parking Enforcement	(243)
Off-Street Parking	(239)
Civic Centre	(236)
Folca	(109)
Housing	
Renovation Loans	(552)
Homelessness (Grant Funded Exp)	(372)
FHDC Temporary Accommodation	(105)
Other small variations	(234)
Total - Heads of Service	(3,277)

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

Corporate Management - This variance largely relates to unspent budget which is proposed to be utilised through a carry forward to invest in future apprenticeships for the authority (£185k). Redmond review implementation funding (£24k).

General Grants - The council has been allocated additional government funding in respect of Napier Barracks, which will be deployed for community activities and has been allocated to an earmarked reserve to enable its use over time.

Covid-19 – due to the Covid-19 pandemic the Council has received various grants to cover a wide variety of costs. These include payments to Community Hubs, any impact on homelessness and the loss of income from sales, fees and charges. The grants aim to offset these cost pressures however, these will occur within various other service areas.

2.9.3 Place

Recycling and Waste - Additional income received for garden waste subscriptions (£36k). KCC Performance payment, previously Enablement Grant (£119k). Lower contract recharge (£245k).

Cleansing - Lower waste contract recharge.

Hythe Swimming Pool – Actual income received was more than budgeted (£65k). Underspend on staffing budgets (£12k). Professional advice & fees not required (£13k).

2.9.4 Economic Development

High Street Innovation Fund – Budget variance related to High Street funding not being fully utilised in year due to the ongoing impact of the pandemic, however the scheme continues to be delivered in 2022/23 and the remaining funds are to be carried forward. Funded from the High Street Regeneration Reserve.

Corporate Investment Initiatives - DLUHC Levelling Up funding to be used towards Folkestone Town Centre Projects during 22/23.

2.9.5 Operations

Connect 38 - Reclassification of commercial property income as investment income £833k offset below the line in Interest and Investment Income. Lower rental income than budgeted £71k, partly offset by income relating to property alteration (£23k) and net service charge costs (£62k).

On-street Parking Enforcement - Increase in parking income (£302k) off-set by an increase in the use of RingGo resulting in higher processing fees £17k, New Parking Zone implemented resulting in extra costs for new signage and virtual permit checks £28k.

Off-Street parking - Increase in parking income (£374k) off-set by an increase in the use of RingGo resulting in higher processing fees £131k.

Civic Centre - Reduction of maintenance costs (£19k) and unused Customer Access Point budget (£217k) carried forward for use in 2022/23.

Folca - The underspend is largely due to no Business Rates costs (£169k). Utility costs of £175k partly off-set by income from NHS (£119k).

2.9.6 Housing

Renovation Loans - net Disabled Facilities Grant funding received in year.

Homelessness - Additional grant income received throughout the year including Prevention Grant and Extension; Rough Sleeping Protect & Vaccinate. Unused grant income has been moved to an earmarked reserve and will be used in 22/23.

Temporary Accommodation - Increase in income of (£81k) relating to an increase in Housing Benefit payments and a reduction in maintenance and cleaning costs (£27k).

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

2.10.1 Interest Payable and Similar Charges

The (£499k) favourable variance relates to delays to planned capital expenditure to be met from borrowing and interest rates lower than originally estimated.

2.10.2 Interest and Investment Income

The favourable variance of (£1.3m), 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

Increased s31 grant was received to compensate for extended Covid business rates reliefs (£2.8m). 21/22 Covid grant funding (£691k).

2.9.4 Minimum Revenue Provision

MRP for borrowing to fund the new waste contract fleet offset by a net reduction to the waste contract charge.

2.10.5 Capital Financed from Revenue

There was an underspend of (£347k) capital expenditure funded from revenue in-year compared to budget. This is the net impact of the General Fund capital programme being re-profiled to 2022/23.

2.10.6 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 £4.6m.

The Carry Forward reserve includes £1,049k which was approved by the Section 151 Officer as budgeted revenue expenditure relating to 2021/22 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 £1.1m variance are (£5.6m) use of Covid reserves deployed to offset the Collection Fund deficit deferred from 20/21, £2.3m of s31 grants received in 2021/22 for Covid business rates reliefs transferred to reserves to offset the Business Rates deficit in 2022/23 (due to timing of Collection Fund accounting), £1.1m funding for Biggins Wood capital projects deferred to 2022/23, £1.3m unspent grants relating to Covid and Homelessness transferred to reserves for use in 2022/23, £877k net addition to carry forward reserve, £669k Business Rates pool benefit (subject to final reconciliation by the Pool Lead) transferred to reserves, £496k budgeted use of reserves to bridge the 2021/22 budget gap not required, £265k unused High Street reserve carried forward, and (£410k) funding of capital expenditure on Mountfield Rd Industrial Estate.

Based on the outturn as at 31 March 2022 the council's net movements in earmarked reserves were:

Reserve	Balance at 1/4/2021	Latest Budget	Movement	Outturn Variance	Balance at 31/3/2022
	£'000	£'000	£'000	£'000	£'000
Earmarked					
Business Rates	2,723	225	(61)	(286)	2,662
Leisure Reserve	547	(100)	(100)	0	447
Carry Forwards	691	(212)	665	877	1,356
VET Reserve	283	(66)	4	70	287
Maintenance of Graves	12	0	0	0	12
New Homes Bonus (NHB)	2,341	(344)	(344)	0	1,997
Corporate Initiatives	598	(305)	362	667	960
IFRS Reserve	8	(2)	(3)	(1)	5
Economic Development	1,991	(1,225)	(6)	1,219	1,985
Community Led Housing	365	(55)	(55)	0	310
Lydd Airport	9	0	0	0	9
Homelessness Prevention	488	98	470	372	958
High Street Regeneration	2,070	(1,010)	(495)	515	1,575
Climate Change	4,946	(306)	(66)	240	4,880
Covid Recovery	6,501	(74)	(2,693)	(2,619)	3,808
Total Earmarked Reserves	23,573	(3,376)	(2,322)	1,054	21,251

2.10.7 Business Rates Income

The reduction of £2.7m in Business Rates income is largely due to £3.1m 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 (£669k) 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, £156k has been spent and the following initiatives and projects are currently proposed to be implemented in 2022/23:

	£'000
Heritage enhancements	39
Pesticide motion	30
Development of new ED Strategy	41
Lifeline Strategy	2
Total	112

3 GENERAL FUND OUTTURN 2021/22 COMPARED TO PROJECTED OUTTURN

3.1 This section compares the final outturn to the projected outturn at quarter 4 as reported to Cabinet in April 2022.

General Fund Net Cost of Services	Projected Outturn @ Qtr 4	Outturn	Variance
	£000	£000	£000
Finance, Strategy & Corporate Services	7,000	5,777	(1,223)
Human Resources	662	634	(28)
Governance & Law	2,595	2,396	(199)
Leadership Support	911	904	(7)
Place	6,171	5,654	(517)
Economic Development	1,680	1,078	(602)
Planning	263	178	(85)
Operations	2,074	2,487	413
Strategic Development	43	(215)	(258)
Housing	3,051	2,048	(1,003)
Transition & Transformation	-	(8)	(8)
Total - Heads of Service	24,450	20,933	(3,517)

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

	£'000
Administration budgets	(571)
Finance, Strategy & Corporate Services	
Corporate Management – Unspent budget relating to Corporate Priorities	(379)

Housing Benefits – Higher subsidy together with an increase in recovery overpayments.	(266)
Covid-19 grants.	(159)
Place	
Recycling and Waste - Lower contract recharge plus KCC Waste Performance income.	(419)
Economic Development	
High Street Innovation Fund - Unused High Street funding.	(765)
Operations	
Connect 38 - Income reclassified as investment income.	866
Civic Centre - Customer Access Point budget to be spent in 22/23.	(221)
Off-Street Parking - Significant income received at the end of 21-22.	(169)
On-Street Parking Enforcement - Significant income received at the end of 21-22.	(135)
Strategic Development	
Otterpool Developer - Garden Communities funding.	(240)
Housing	
Renovation Grants - net Disabled Facilities Grant funding received.	(552)
Homelessness - Grant income to be used in 22/23.	(359)
Other small variations.	(148)
Total - Heads of Service	(3,517)

3.1.2 The income relating to Connect 38 is shown below the line in Interest and Investment Income 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 (LK)

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 Communication Officer's Comments (KA)

There are no significant communications implications arising directly out of this report.

5.5 Climate Change Implications (AT) [Pilot reporting period]

There are no climate change implications arising directly from this report. It updates Cabinet on this position following decisions taken at Cabinet and Full Council. Climate change implications of the various projects referenced in the report will be assessed as part of the development and implementation phases of those projects through the appropriate decision-making process.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councilors 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