

Cabinet	Agenda Item:
Meeting Date	14 July 2021
Report Title	Financial Management Report – Outturn 2020/21
Cabinet Member	Cllr Roger Truelove, Leader and Cabinet Member for Finance
SMT Lead	Nick Vickers, Chief Financial Officer
Head of Service	Nick Vickers, Chief Financial Officer
Lead Officer	Phil Wilson, Financial Services Manager and Caroline Frampton, Principal Accountant
Key Decision	Yes
Classification	Open
Forward Plan	Reference number:
Recommendations	<ol style="list-style-type: none"> 1. To consider the revenue underspend of £1.321m. 2. To consider the revenue service rollovers of £293,753 and the setting up of new reserves as set out in in Appendix I Table 13. 3. To delegate to the Chief Financial Officer the allocation of uncommitted underspends to a Covid Recovery Fund. 4. To consider the capital underspend of £4,400,272 and expenditure of £9,603,218 as detailed in paragraph 3.33 and Appendix I Table 16. 5. To consider the capital rollovers of £5,880,664 as detailed in Appendix I Table 17 for approval. 6. To consider the transfer to reserves as set out in Table 3. 7. To agree to the settlement on litigation as set out in paragraph 3.25. 8. To delegate to the Chief Financial Officer the authority to top up the General Reserve as required as set out in paragraph 3.30.

1. Purpose of Report and Executive Summary

- 1.1 This report sets out the revenue and capital outturn position for 2020/21. The report is based on service activity for the whole of 2020/21 and is collated from monitoring returns from budget managers.

1.2 The purpose of the report is to compare the actual spend and income incurred in 2020/21 to the budget originally approved by members at Council in February 2020 and subsequent amendments by virements, Cabinet or made under delegated authority during the year. Appendix I is a booklet providing a detailed analysis of budget variations for each service and for each capital project.

1.3 The headline figures are:

- revenue overspend on services of £2.914m - Table 11 in Appendix I;
- total revenue variance of £1.321m;
- impact of the Coronavirus pandemic of £3.893m;
- additional non-specific funding received by the Council for the coronavirus pandemic £4.234m – Table 4;
- £293,753 revenue rollover requests from Heads of Service – Table 13 in Appendix I;
- capital underspend of £4,400,272 – Table 16 in Appendix I; and,
- £5,880,664 rollover requests of capital underspends – Table 17 in Appendix I.

2. Background

2.1 The Council operates a budget monitoring process at Head of Service level, with regular reports to the Leader and Cabinet Member for Finance and the Strategic Management Team.

2.2 Financial monitoring reports are presented to Cabinet on a quarterly basis, as well as to Scrutiny Committee.

3. Proposals

Revenue Outturn

3.1 The last monitoring report to Cabinet was on 17 March covering April to December and the net revenue service expenditure was a forecast overspend of £3,768,000 and the equivalent outturn figure shown in Table 2 is an overspend of £2,913,672 which represents a movement of £854,328 on a budget of £19.1 million. Table 1 below details the significant movements and is based on Table 11 in Appendix I.

Table 1 – Net Revenue Service Expenditure - Movement from Quarter 3 Forecast (April to December) to 2020/21 Outturn

Net Revenue Service Expenditure	£'000
Variance reported to Cabinet 17 March 2021 for Quarter 3	3,768
National Leisure Recovery Fund grant – (in Cabinet 17 March report this was reported as part of general covid grants and not in service expenditure)	(365)
Amended Variance reported to Cabinet 17 March 2021 for Quarter 3	3,403
Covid expenditure originally anticipated not to be offset by grant	(118)
Car Parks and Multi Storey Car Park net reduced costs	(65)
CCTV Monitoring Service – underspend (transferred £50k to reserves to meet capital costs of CCTV)	(62)
HR - Reduced Corporate Training Costs, Health & Safety costs and external survey costs	(53)
Customer Service Centre – Sheppey Gateway – lower than expected contract costs with Kent County Council	(39)
Thames Gateway – reimbursement of historical reserves	(34)
Cemeteries – additional interment income and reduced premises expenditure	(31)
Printing Room – reduced equipment maintenance costs and savings on paper offset by reduced external income	(31)
Swale House – reduced security costs	(28)
Planning Conservation & Design fees – reduced costs	(26)
Countryside & Country Parks – reduced costs	(25)
Street Naming – additional income	(24)
Homelessness – reduction in projected overspend	(20)
Legal – S106 additional income	(18)
Road Signs, road lining and resurfacing	(28)
Property – reduced consultancy expenditure	(17)
Private Sector Housing Service – lower than expected running costs	(16)
Land Charges – income was higher than anticipated	(16)
Environmental Health – reduced costs	(16)
Communications & Swale Publications – reduced costs	(15)
Community Halls – lower than expected expenditure	(14)
Tourism – lower than expected expenditure	(11)
Salaries	10
Garden Waste Collection – income lower than expected	23
Postage for Planning letter	36
Increase in Provision for Bad Debt	45
Car Parks – reduced income and season ticket income	65
Planning – planning fee income was lower than expected	76

Net Revenue Service Expenditure	£'000
Bourne Place – property management costs	77
Increased expenditure on Housing Benefit	114
Sittingbourne Regeneration – additional revenue costs	116
Sub Total	(145)
Shared Services:-	
Legal Shared Service – additional income and reduced costs	(107)
Planning – reduced costs on Mid Kent Planning Services	(47)
Human Resources – reduced costs on Mid Kent services	(36)
Planning – reduced costs on Mid Kent Land Charges Service	(33)
Audit – reduced costs on Mid Kent Audit services	(30)
Mid Kent Debt Recovery	(22)
ICT – reduced expenditure on Mid Kent ICT services	(17)
Environmental Health – increased costs on shared service	5
Sub Total	(287)
Net other items	(57)
Net Movement	(489)
Variance reported to Cabinet for 2020/21 Outturn	2,914

Chart 1 - Performance Against Budget Analysed by Service

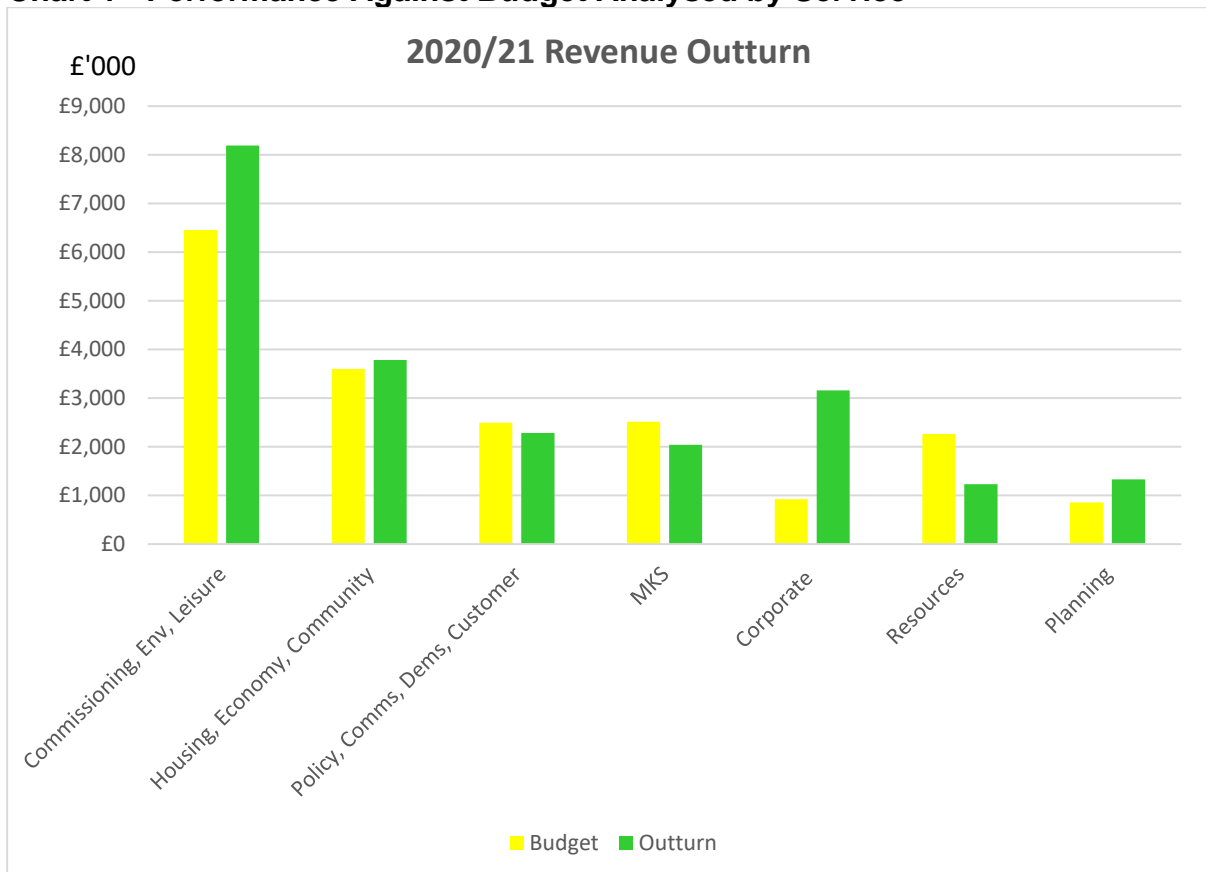


Table 2- Projected Variance by Service

Service	Service Manager	Working Budget £	Outturn 2020/21 £	Projected Variance £
Chief Executive	L. Reed	266,630	127,030	(139,600)
Policy, Communications & Customer Services	D. Clifford	1,230,460	1,112,560	(117,900)
Democratic and Electoral Services	D. Clifford	1,263,530	1,168,130	(95,400)
Director of Regeneration	E. Wiggins	161,100	161,100	0
Housing, Economy & Community Planning	C. Hudson	3,597,920	3,761,720	163,800
	J. Freeman	856,170	1,323,970	467,800
Commissioning, Environment & Leisure	M. Cassell	6,457,440	8,147,940	1,690,500
Finance	N. Vickers	806,490	760,790	(45,700)
Revenues & Benefits	Z. Kent	136,520	126,020	(10,500)
Property	A. Adams	649,530	466,530	(183,000)
Licensing & Resilience	D. Fackrell	60,780	24,380	(36,400)
Environmental Health	T. Beattie	609,440	603,140	(6,300)
Information Technology	C. Woodward	1,358,580	1,240,780	(117,800)
Internal Audit	R. Clarke	178,260	129,360	(48,900)
Human Resources	B. Sandher	446,410	323,110	(123,300)
Legal	P. Narebor	533,740	347,840	(185,900)
Sittingbourne Regeneration	N. Vickers	0	178,700	178,700
STC - Cinema/Hotel/Restaurants	N. Vickers	(574,290)	(222,390)	351,900
STC - Retail Park	N. Vickers	(471,400)	(466,100)	5,300
Contributions from Reserves for services shown above	N. Vickers	0	1,771,000	1,771,000
Corporate Items	N. Vickers	1,537,730	933,102	(604,628)
NET REVENUE SERVICE EXPENDITURE		19,105,040	22,018,712	2,913,672
Financed by:				
Revenue Support Grant		(115,000)	(114,987)	13
Coronavirus (Covid-19) LA Support Grants		0	(4,234,400)	(4,234,400)
Business Rates		(8,750,000)	(8,750,000)	0
New Homes Bonus		(1,633,000)	(1,633,321)	(321)
Council Tax Requirement		(8,622,700)	(8,622,795)	(95)
TOTAL FINANCING		(19,120,700)	(23,355,503)	(4,234,803)
NET EXPENDITURE		(15,660)	(1,336,791)	(1,321,131)

Proposed Revenue Rollovers and General Fund

- 3.2 Rollovers can be either be service requests arising because not all the budget on a particular project had been spent in the year, or service bids linked to the Council's priorities, or for ringfenced reserves to comply with statute or due to a previous Cabinet decision.
- 3.3 A number of rollovers have already been made to comply with statute and previous Cabinet decisions which total £1,771,000. The revenue underspend of £1,321,131 (Table 2 above) includes these rollovers and they are detailed below:

Table 3: Transfer to Reserves from Ringfenced and Non-Ringfenced Services

Service	Description	£'000
Ringfenced Services:-		
Revenues and Benefits	The net saving has been transferred to the Revenues and Benefits reserve.	658
IT Maintenance and Software	The saving has been transferred to the IT reserve to be used solely to fund IT related expenditure in future years.	118
Environmental Response Team	Section 96 of the Clean Neighbourhoods and Environment Act of 2005 advised that income must be spent on "qualifying functions". The surplus has been transferred to the reserve.	25
Local Planning & Conservation	The overspend on the local plan has been transferred to the reserve to be used solely to fund Local Plan associated work in accordance with previous Cabinet decisions.	(53)
Building Maintenance	The underspend on building maintenance has been transferred to the reserve.	23
Sub Total		771
Non Ringfenced Balances Transferred to Reserves:-		
Revenues Services	Net balance of S13A Council Tax Hardship Fund to reserves. This is to be used to fund schemes to support the vulnerable in 2021/22.	94
Corporate	Tax Income Guarantee (TIG) – Council Tax and Business Rates committed to support deficits on Collection Fund due to reduction in income arising from the pandemic	750
Corporate	Council Tax Support Scheme Admin Grant received from major preceptors	134
Internal Audit Shared Service	Transfer of underspend from 2019/20 received from Maidstone Borough Council to reserve to meet additional internal audit costs in 2021/22	22
Sub Total		1,000
Total Ringfenced Services		1,771

3.4 The additional non-specific funding for Covid received by the Council is detailed in the table below. These grants are including in the Total Financing section of Table 2 above:

Table 4: Government Funding - Non-Specific Grants

Funding	Amount £'000	Allocation basis
Tranche 1	75	March 2020 £1.6bn of which £1.46bn for Social care
Tranche 2	1,501	April 2020 £1.6bn with 35% allocation to districts
Tranche 3	318	July 2020 £500m with a Relative Needs Formula reflecting deprivation
Tranche 4	1,027	October 2020 £919m with a Relative Needs Formula reflecting deprivation
Sales, Fees and Charges	1,313	75% of defined losses on some Sales, Fees and Charges.
Total	4,234	

3.5 The specific funding for Covid received by the Council is detailed in Table 5 below. These grants are included in the service lines as detailed in Table 2 above:-

Table 5: Government Funding - Specific Covid Grants

Funding	Amount £'000	Notes
Housing, Economy & Community:-		
Contain Outbreak Management Fund	530	Received from Kent County Council (KCC)
Emergency Assistant Grant	145	Received from KCC
Opening High Street Safely Project	28	Received from Central Government
Emergency Assistance Grant	34	Received from KCC for food banks
Coronavirus Compliance and Enforcement Grant	140	£50k grant from KCC and £90k grant from Ministry of Housing, Communities and Local Government (MHCLG)
Winter Scheme Grant	81	Received from KCC
Sub Total	958	
Revenue Services:-		
Coronavirus LA Support Grant	35	This has been moved to the Revenues & Benefits Reserve
Test & Trace Admin Grant	31	This has been moved to the Revenues & Benefits Reserve

Funding	Amount £'000	Notes
New Burden LA Support Grant	170	This has been moved to the Revenues & Benefits Reserve
New Burden Council Tax Hardship Fund & Business Rates Relief Grant	26	This has been moved to the Revenues & Benefits Reserve
New Burdens Business Grants (Open), (Closed) 2 Dec & Wet Led Pubs	76	This has been moved to the Revenues & Benefits Reserve
New Burdens 3 Business Support Grant	167	This has been moved to the Revenues & Benefits Reserve
S13A Council Tax Hardship Fund	94	Net balance of S13A Council Tax Hardship Fund to reserves. This is to be used to fund schemes to support the vulnerable in 2021/22.
Sub Total	599	
Commissioning, Environment & Leisure:-		
National Leisure Recovery Fund	365	The National Leisure Recovery Fund supports public sector leisure centres. This has been paid over to Swale Community Leisure/ Faversham Pool
Sub Total	365	
Corporate:-		
Tax Income Guarantee (TIG)	750	Council Tax and Business Rates to support deficits on Collection Fund
Sub Total	750	
TOTAL	2,672	

3.6 Table 13 in Appendix I lists rollovers which have not yet been made and are service requests for rollovers at an operational level or to meet new projects/policies. These total £293,753.

3.7 The General Fund is shown below. The Council's policy is to maintain a balance of at least £1.5m in the General Fund.

Table 6: General Fund Balance

	£'000
General Fund balance at 1 April 2020	(3,338)
2019/20 rollovers approved by Cabinet in July 2020	191
2020/21 net expenditure (Table 2)	(1,337)
General Fund Balance	(4,484)
2020/21 rollovers to be considered by Cabinet (Table 13)	294
General Fund Balance if Rollovers Approved	(4,190)

Coronavirus Business Support Grants

- 3.8 As part of the coronavirus response, the Government announced a range of grant schemes to support businesses to be administered by local billing authorities e.g., the Small Business Grant Fund; Retail, Hospitality and Leisure Grant Fund; multiple Local Restrictions grants i.e., open, closed, sector, additional. The Council was responsible for paying over the grants to the businesses and are then reimbursed by Government using a grant under Section 31 of the Local Government Act 2003 (S31).
- 3.9 In 2020/21 the Council paid local businesses a total of £47.047m under these schemes. However, for the purpose of meeting the accounting regulations, two of these schemes will be part of the Council's revenue income and expenditure in the Annual Accounts which are the "Discretionary Grants" and the "Additional Restrictions Grants", which together total £4.092m.
- 3.10 The Council was also responsible for making "Test and Trace" payments both mandatory and discretionary. In 2020/21 the Council made payments totalling £174,500 under these schemes. However, for the purpose of meeting the accounting regulations, the discretionary scheme will be part of the Council's revenue income and expenditure in the Annual Accounts, which had a total of £26,500 of payments.

Business Rates

- 3.11 From 1 April 2013 business rates were part localised. Given the large growth in business rates in the borough this was hugely positive for the Council's finances. The Council is in a business rates pool with KCC, 10 other borough/district councils and the Fire Authority. The pool enables business rates which would otherwise be passed to Central Government to be retained in the county. Under the arrangement the borough/district, KCC and a joint fund received 30% each and 10% went into a reserve.
- 3.12 In total the Council collected £36m of business rates in 2020/21 (£53m in 2019/20) against a forecast £54m. There were two main reasons for the reduction in business rate income in 2020/21:

- reliefs on business rates for retail, local newspapers and nurseries provided by the Government (£16m);
 - Reduction in income due to changes in the rateable value for businesses made by the Valuation Office Agency outside of the Check, Challenge Appeal (CCA) process (£2m)
- 3.13 Also £1.7m in refunds were paid due to the CCA process whereby businesses can seek to reduce their rateable value and this can be backdated. This was charged against the provision that has been set aside for this purpose.
- 3.14 After the complicated system of levies and tariffs has been accounted for, the Council received £8.75m.
- 3.15 There was a net reduction in the business rates reserves by £1.381m in 2020/21:
- £1.116m reduction in the Business Rates Volatility Reserve. This was a result of £1m contribution to the Special Projects, £250k budgeted contribution to the General Fund offset by net movements of £134k.
 - £232k reduction in the Kent Pool Economic Development Business Rates Reserve. This was the result of £1m contribution to the Improvement and Resilience reserve offset by additional business rates of £768k. As agreed by Cabinet on 16/12/2020 the balance on this reserve is to be retained for potential top ups and for new initiatives or pressures. This reserve was established as a result of the Council joining the Kent business rates pool in 2015/16. It is to fund economic development as agreed by the Council and KCC.
 - £33k reduction in the North Kent Housing and Commercial Growth Business Rates Fund. Cabinet on 16/12/2020 agreed that this fund was to be used to fund the Local Housing Company, for set up costs and future investment, including possible investment in Sheppey. The stated purpose of the fund is to support future delivery, where outcomes can be better achieved by local authorities working together across a wider area.
- 3.16 At 31 March 2021 the balances on the business rates reserves were as follows:
- £2.827m Business Rates Volatility Reserve
 - £1.094m Kent Pool Economic Development Business Rates Reserve
 - £1.673m North Kent Housing and Commercial Growth Business Rates Fund
- 3.17 The actual amount of business rates collected can be affected by a wide range of variables including new businesses opening, existing businesses growing, closure of businesses, rating appeals and collection rates.

3.18 The Business Rates Collection Fund has set aside £12m for changes to the rateable value list as a result of CCA, of which the Council's share is £5m. In 2020/21, the cost of the CCA process was £1.7m.

Collection Fund

3.19 The Council collects business rates and distributes them to preceptors including the Government, Kent County Council (KCC), the Fire Authority and the Council and this is accounted for in the Collection Fund.

3.20 The deficit on the business rates collection fund at 31 March 2021 was £17.9m of which the Council's share is £7.2m. This will be met in future years from a government grant to compensate the Council for its loss of income due to the retail relief described above (£6.5m) and the Tax Income Guarantee grant (see below) (£0.7m).

3.21 The Council collects council tax and distributes it to preceptors including the KCC, the Fire Authority, the Police Authority, Parish and Town Councils and the Council and this is accounted for in the Collection Fund.

3.22 The deficit on the council tax collection fund at 31 March 2021 was £2.2m of which the Council's share is £254k. This will be met in future years partly from the Tax Income Guarantee grant (see below) (£86k) and from recovery from future contributions.

3.23 For both business rates and council tax the Government has proposed that these deficits will now be spread equally over three years (2021/22 to 2023/24) "to ease immediate pressures on budgets".

3.24 The Government announced the details of its scheme to fund 75% of irrecoverable losses in council tax and business rates. This is known as the Tax Guarantee Scheme Grant. The methodology differs between council tax and business rates. For 2020/21 £86k was received for council tax and £664k for business rates. These will be used to help fund the Council's share of the deficit on the collection fund for 2020/21 in future years and therefore they have been transferred to a reserve

Litigation Settlement

3.25 The Council did not approve a planning application for a housing development at Barton Hill Drive. This decision was challenged in the High Court and the Planning Inspectorate decided that the costs of the court were to be awarded against the Council. After negotiation, a settlement of these costs has been agreed with the planning applicant of £113k. Legal officers have been involved throughout the process and the Head of Legal Services supports the settlement of the claim.

Improvement and Regeneration Funds

3.26 Table 7 below details the outturn position on a number of reserve funds.

Table 7: Improvement and Regeneration Funds

	Balance as at 1 April 2020	Topping Up of Funds 2020/21	Fund Committed as at 1 April 2020	Funds committed after 1 April 2020 (Appendix I Table 15) 2020/21	Balance Unallocated as at 31/3/2021
Funds	£'000	£'000	£'000	£'000	£'000
Improvement and Resilience	0	1,000	0	0	1,000
Special Projects	964	1,000	(553)	(978)	433
Performance	432	0	(233)	(72)	127
Communities	556	0	(173)	(25)	358
Pension & Redundancy	94	100	0	(142)	52
Regeneration	152	0	(152)	0	0
Local Loan Fund	175	0	0	0	175
TOTAL	2,373	2,100	(1,111)	(1,217)	2,145

3.27 Table 15 in appendix I details the allocations from the above funds during 2020/21.

Reserves

3.28 Table 8 below summarises the reserves balances as at 31 March 2021.

Table 8: Reserves

	Balance as at 1 April 2020	Transfers from reserve in year	Transfers to reserve in year	Balance as at 31 March 2021
Reserve	£'000	£'000	£'000	£'000
Total Earmarked Revenue Reserves	(18,347)	5,594	(4,961)	(17,714)
General Fund	(3,338)	191	(1,337)	(4,484)
Capital Grants Unapplied	(409)	16	(64)	(457)
Capital Receipts	(1,359)	35	(1,560)	(2,884)
Total	(23,453)	5,836	(7,922)	(25,539)

3.29 Table 14 in appendix I details the earmarked revenue reserves as at 31 March 2021.

3.30 The General Reserve as at the end of 2020/21 is in deficit (Table 14 of Appendix I). It is therefore recommended to delegate to the Chief Financial Officer the authority to top up the General Reserve as required.

Capital Expenditure

3.31 This section of the report details actual capital expenditure and highlights any variations between the revised 2020/21 capital budget and the outturn.

3.32 Actual expenditure to end of March 2021 was £9,603,218. This represents 69% of the revised budget. There remains an underspend of £4,400,272. Further details are set out in Table 16 of Appendix I.

3.33 Table 9 below summarises the capital underspend of £4,400,272.

Table 9: Capital Programme Expenditure

	2020/21 Revised Budget	2020/21 Outturn	2020/21 Variance
	£'000	£'000	£'000
Commissioning, Environment & Leisure	2,959	1,373	(1,586)
Housing, Economy & Community Services	10,741	7,925	(2,816)
Property	200	244	44
Environmental Health	0	8	8
Information Technology	92	42	(50)
Finance	11	11	0
Total Capital Programme	14,003	9,603	(4,400)
Total funded by the Council	9,358	7,454	(1,904)
Total Partnership funded	4,645	2,149	(2,496)
% Spent to date compared to Revised Budget			69%

3.34 Heads of Service have submitted a number of capital rollover requests totalling £5,880,664 to be spent in 2021/22 to be released from the underspend of 2020/21. The requests are listed in Table 17 Appendix I, with an explanation provided by the service manager. Of these requests, £3,666,560 is linked with partnership funding, as explained in the notes, leaving £2,214,104 to be met from internal resources. The largest items of rollover are:

- Disabled Facilities Grant (external funding) - £3,165,993
- Sittingbourne Regeneration - £659,331
- Leisure Centres - £293,850
- Wheeled Bin Reserve - £251,000
- Open Spaces S106 Play Equipment - £356,000

- Faversham Creek Basin Regeneration Project - £200,000

Funding of the 2020/21 Capital Programme

3.35 The 2020/21 capital programme expenditure of £9,603,218 was funded as set out in Table 10 below.

Table 10: Capital Programme Funding

	2020/21 Outturn
	£'000
Capital grants and other contributions	2,308
Capital receipts	24
Earmarked reserves	832
Direct revenue funding	27
Borrowing	6,412
Total Capital Funding	9,603

3.36 The Sittingbourne Town Centre Project and Leisure Centres are being funded from borrowing. The Council's borrowing strategy was set out in the Treasury Management Report to Cabinet in February.

3.37 Capital receipts from sale of assets in 2020/21 were £1,476k. Capital receipts from repayment of grants and loans were £83k.

Payment of Creditors

3.38 For 2020/21, 98.6% of invoices from suppliers were paid within 30 days of receipt of invoice, during the pandemic, against the target of 97%.

Sundry Debtors

3.39 Tables 18.1 and 18.2 in Appendix I analyse the sundry debt outstanding.

4. Alternative Options

4.1 None identified – this report is largely for information.

5. Consultation Undertaken or Proposed

5.1 Heads of Service and Strategic Management Team have been consulted in preparing this report.

6. Implications

Issue	Implications
Corporate Plan	Good financial management is key to supporting the Corporate Plan objectives.

Issue	Implications
Financial, Resource and Property	As detailed in the report
Legal and Statutory	The outturn report is not a statutory requirement, but it is a requirement of the Council's Financial Regulations.
Crime and Disorder	None identified at this stage.
Environmental Sustainability	The report identifies a wide range of expenditure headings which support the Council's Climate and Emergency Action Plan.
Health & Wellbeing	None identified at this stage.
Risk Management and Health and Safety	The Council's overall financial position is a key risk in the Council's Corporate Risk Register.
Equality and Diversity	None identified at this stage.
Privacy and Data Protection	None identified at this stage.

7. Appendices

7.1 The following documents are published with this report and form part of the report:

- Appendix I: Financial Outturn Report 2020/21

8. Background Papers

9. <http://www.swale.gov.uk/assets/Latest-Publications/Revenue-Budget-and-Capital-Programme/PDF995-CLR-Budget-Book-2020-21.pdf>