

Policy and Resources		Agenda Item:
Meeting Date	28 September 2022	
Report Title	Financial Management Report – First Quarter Monitoring 2022/23	
EMT Lead	Lisa Fillery, Director of Resources	
Head of Service		
Lead Officer	Caroline Frampton, Principal Accountant	
Classification	Open	
Recommendations	<ol style="list-style-type: none"> 1. To note the projected revenue overspend of £909,177. 2. Members to agree to top up the Pensions & Redundancy Reserve by £100k. This is to be met from the Budget Contingency Reserve. 3. Members to approve delegated authority to the Director of Resources to assess the appropriate use of reserves to fund expenditure at year end. 4. To note the capital expenditure of £2,133,576 against the Revised Budget as detailed in Table 2 and Appendix I. 5. To note the two new capital projects and their associated funding. 6. The Council should in principle continue to participate in a county wide business rates pool but delegate to the Director of Resources in consultation with the Leader the authority to change this decision if there is a significant change in circumstances. 	

1. Purpose of Report and Executive Summary

- 1.1 This report sets out the quarter 1 revenue and capital budget monitoring forecast for 2022/23. The report is based on service activity for April – June 2022 and is collated from monitoring returns from budget managers.
- 1.2 The purpose of the report is to forecast the estimated outturn position for 2022/23 compared to the budget approved at Council in February 2022 and subsequently amended by virements, made under delegated authority during the year.
- 1.3 The headline figures are:
 - revenue overspend on services of £909,177 – Table 1;
 - capital expenditure of £2,133,576 – Table 2 and Appendix I.

2. Background

- 2.1 The Council operates a budget monitoring process at Head of Service level, with regular reports to the Policy and Resources Committee and the Strategic Management Team.

3. Proposals

Revenue Outturn

Table 1 - Variance by Service

	Service Manager	Working Budget £	Projected Outturn 2022/23 £	Projected Variance £
Chief Executive	L. Reed	247,450	227,887	(19,563)
Policy, Governance & Customer Services	D. Clifford	2,505,840	2,480,153	(25,687)
Director of Regeneration	E. Wiggins	170,360	173,654	3,294
Director of Resources	L. Fillery	132,030	132,044	14
Housing & Community Planning	C. Hudson	3,712,100	4,501,793	789,693
Environmental & Leisure Services	F. Churchill	835,950	968,760	132,810
Regeneration & Economic Development	M. Cassell	6,777,150	6,729,829	(47,321)
Finance & Procurement	J. Johnson	(149,300)	24,553	173,853
Revenues & Benefits	P. Wilson	811,740	847,365	35,625
Environmental Health	Z. Kent	302,610	302,610	0
Information Technology	T. Beattie	609,120	575,778	(33,342)
Internal Audit	C. Woodward	1,377,120	1,374,523	(2,597)
Human Resources	Head of Internal Audit	188,690	188,690	0
Legal	B. Sandher	483,090	462,510	(20,580)
Corporate Items	C. Valmond	549,610	361,910	(187,700)
		1,795,440	1,906,118	110,678
NET REVENUE SERVICE EXPENDITURE		20,349,000	21,258,177	909,177
Financed by:				
Revenue Support Grant		(119,000)	(119,000)	0
Lower Tier Services Grant		(192,000)	(192,000)	0
Services Grant		(296,000)	(296,000)	0
Business Rates		(9,072,000)	(9,072,000)	0
New Homes Bonus		(1,407,000)	(1,407,000)	0
Collection Fund Surplus		0	0	0
Council Tax Requirement		(9,263,000)	(9,263,000)	0
TOTAL FINANCING		(20,349,000)	(20,349,000)	0
NET EXPENDITURE (Contribution (to)/ from General Fund)		0	909,177	909,177

- 3.1 The variances with brackets are underspends, i.e. income received was greater than the budget or the spend was less than budget; variances with no brackets are overspends, i.e. the income was less than the budget, or the spend was more than budget. The significant variances from budget are explained below.
- 3.2 Policy, Governance & Customer Services £25,687 projected underspend: £80,590 underspend mainly Members' Allowances, contract overspend on the Sheerness Gateway with Kent County Council of £57,000 for proposed building works.
- 3.3 Housing & Community Services £789,693 projected overspend: there is an estimated increase on temporary accommodation of £762,111. Based on last year comparison of the actual 1st quarter costs, homelessness accommodation costs increased 41%. Placements increased by 21%, the remaining 20% increase reflecting the growth in landlord charges. Our two main concerns with the growth in placement numbers are the difficulty in finding affordable permanent accommodation for clients and the lack of available private rented properties. The growth in landlord charges continues to be a concern, reflecting the current economic position. One landlord, who holds approximately 36% of the current accommodation occupied, has very recently advised that they will be increasing their charges by 8% in September – this increase is not allowed for in the current estimates, however the Housing Service will of course be looking to mitigate this increase as best possible.
- 3.4 Planning £132,810 projected overspend: there is additional income of £231,000 to date from planning fees. In addition, a further £150,000 is anticipated from the major application at Bobbing. This is offset by consultation advice as well as a potential shortfall of income of £65,000 on local land charges due to economic uncertainty affecting the housing market and a drop in land searches fees and additional agency costs covering vacant posts.
- 3.5 Environment & Leisure £47,321 projected underspend:
- there is a projected overspend of £212,120 on refuse collection including £229,900 indexation compensation payable to contractor;
 - projected overspend of £38,980 re Street Cleansing being higher indexation of costs than anticipated;
 - projected underspend of £40,140 re Public Conveniences, new facilities not yet in service;
 - projected overspend of £33,090 re Parks & Open Spaces;
 - projected overspend of £60,000 re Grounds Maintenance contract;
 - projected additional income of £369,710 re Parking Management, including £68,080 MSCP increased usage from leisure complex and pandemic recovery, £258,870 additional parking fees, £79,380 additional excess parking fees, £25,570 rent for masts, additional service payments due to parking companies £39,980 and external contractors costs £10,480;
 - projected net £18,340 other additional costs from miscellaneous other services.

- 3.6 Regeneration and Economic Development projected overspend £173,853: mainly agency staff, rent review legal costs and energy bills at Swale House. Additional Facilities Management costs and reduced rental income at Bourne Place.
- 3.7 Finance & Procurement projected overspend £35,625: additional consultancy advice and recruitments costs.
- 3.8 Revenues & Benefits £nil projected variance: forecast underspends within Revenue & Benefits are to be transferred to reserves to fund the transformation work to support the move to the banded CTS scheme.
- 3.9 Shared Services £244,219 projected underspend: the Legal Services projected underspend of £187,700 is due to additional income from recharges to Maidstone and Tunbridge Wells. There is a projected underspend on the service recharge from Maidstone Council for HR of £20,580.
- 3.10 Corporate Items projected overspend of £110,678: this is mainly additional insurance costs £66,000 as a result of higher property premiums directly related to increased building costs and reduced external interest income.

Reserves

- 3.11 Members to agree to top up the Pensions & Redundancy Reserve by £100,000. This is to be met from the Budget Contingency Reserve.

Capital Expenditure

- 3.12 This section of the report details actual capital expenditure to end of quarter 1 and highlights any variations between the revised 2022/23 capital budget and the projected outturn. The revised budget includes the 2021/22 roll forwards as agreed by the Policy and Resources Committee 13 July 2022.
- 3.13 Members to note that two new capital schemes have been approved –
- Lynsted Churchyard Walls – Capital Receipts - £120,000
 - Coach Parking Sheerness – Reserves – £35,000
- and budgeted spend on Oare Gunpowder Works is increased to £29,890.
- 3.14 Actual expenditure is £2,133,576 which is 6% of the budget. A summary is set out in Table 2 below and further details are shown in Appendix I.

Table 2 – Capital Expenditure to end of June 2022

Capital Scheme	2022/23 Revised Budget	2022/23 Actual to end of June 2023	Projected Variance
	£'000	£'000	£'000
Total Housing & Community Services	29,025	505	0

Capital Scheme	2022/23 Revised Budget	2022/23 Actual to end of June 2023	Projected Variance
	£'000	£'000	£'000
Total Regeneration & Economic Development	4,620	1,539	0
Total Environment & Leisure	2,016	73	4
Total ICT	219	17	0
Total Policy	50	0	0
Total Capital Programme	35,930	2,134	4

3.15 Housing and Community Services – Disabled Facilities Grant – funding is from Central Government and is paid via Kent County Council. The grant is part of the overall Better Care Fund which incorporates aspects of health, and the Disabled Facilities Grant (DFG) money which must be used on mandatory grants that the Council administers. The money should be rolled over to the following year to continue funding grants approved within the year. The spend is dependent on applications received, and due to Covid-19, owners not wanting work to proceed or builders unable to carry out work, the number and spend on grants has been impacted. Additionally, once a grant is approved the applicant has 12 months to complete the work, therefore the DFG spend is a constant rolling process that crosses financial periods.

3.16 There has been a delay to the planned expenditure to deliver affordable homes within the district, however the current assumptions are that this spend will now fall in future years and so there is no variance on the project at this stage.

Funding of the 2022/23 Capital Programme

3.17 The 2022/23 capital programme expenditure of £35,929,630 is to be funded as set out in Table 3 below.

Table 3: Capital Programme Funding

	2022/23 Revised Budget
	£'000
Capital grants and other contributions	6,404
Capital receipts	1,528
Earmarked reserves	2,108

	2022/23 Revised Budget
Borrowing	25,890
Total Capital Funding	35,930

4. Kent Business Rates Pooling agreement

- 4.1 Local authorities are able to enter into arrangements with other Councils to pool their business rates. Legislation allows councils to voluntarily enter into a business rates retention pool. Councils within a pool are treated as a single entity with tariffs and top ups netted off and a single levy rate applied. In two tier areas this creates the potential for the levy paid by Borough Councils being reduced thus retaining more resources in the local area. Swale has been member of the Kent Business Rates Pool since 2015/16.
- 4.2 On 16 September the Kent Finance Officers met and discussed the future of the Kent Business rates Pool. Swale has been part of these arrangements for a number of years now. The main conclusions were;
- There are still potentially significant financial benefits to a pool, and
 - In looking at the optimal composition there may be some opportunity to change the membership.
- 4.3 Currently Canterbury, Tunbridge and Malling, Sevenoaks and Dover are not in the pool but receive some compensatory payments from total pool receipts. The Council which has by far the biggest growth in business rates above base line is Swale and Swale will be the biggest beneficiary of any pool. The pool has to reapply to DLHUC by 7 October therefore this item is being considered at this meeting. There would still be an option for the pool not to proceed up to 28 days after the Local Government Finance Settlement is received.
- 4.4 Discussions are underway currently with KCC and the other boroughs but we do not yet have the full information to make a final decision. Given the timing of the response required by DLHUC it is recommended that the Council should in principle participate in a county wide business rates pool but delegate to the Chief Financial Officer in consultation with the Leader the authority to change this decision if there is a significant change in circumstances.

5. Alternative Options

- 5.1 None identified – this report is largely for information.

6. Consultation Undertaken or Proposed

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

7. Implications

Issue	Implications
Corporate Plan	Good financial management is key to supporting the Corporate Plan objectives.
Financial, Resource and Property	As detailed in the report. Budget holders will need to review the current forecast position to identify savings to address the forecast overspend.
Legal, Statutory and Procurement	The monitoring 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.
Environment and Climate/ Ecological Emergency	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.
Safeguarding of Children, Young People and Vulnerable Adults	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.

8. Appendices

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

- Appendix I: Capital Expenditure to end of June 2022/23

9. Background Papers

- Council Meeting Agenda and Minutes 23 February 2022 Item 12

Capital Quarter 1 2022/23

	2022/23 Working Budget	2022/23 Actual to date	2022/23 Projected Variance	Funding Notes
	£	£	£	
Housing & Community Services				
CCTV	60,000	0	0	Reserves
Disabled Facilities Grant Discretionary	3,792,330	0	0	External Grant
Disabled Facilities Grant Mandatory	1,927,530	462,685	0	External Grant
Housing Repair Grants Over 60	0	1,000	0	External Grant
RHB2 Decent Home Loans Owner Occupier	0	6,660	0	Long Term Loans/ Grants
Winter Warmth Grants	0	13,479	0	External Grant
Local Housing Company	23,000,000	21,464	0	Borrowing
Local Housing Company - Business Planning Work	192,760	0	0	Housing & Commercial Growth Business Fund
Land Regeneration/Improvement Works at Dolphin Barge Museum & Skatepark	52,060	0	0	Special Project Fund
Total Housing & Community Services	29,024,680	505,288	0	
Regeneration & Economic Development				
Sittingbourne Town Centre	641,080	0	0	Borrowing
Faversham Creek Basin Regeneration Project (Swing Bridge)	200,000	0	0	Capital Receipts
High Streets	424,000	0	0	Town Centres, High Street Fund
Queenborough & Rushenden Klondyke Land Improvement	0	652,943	0	External Grant
Coronation Clock Tower Sheerness	81,600	79,360	0	Improvement & Resilience Fund/ Town Centres, High Street Fund/ S106
Redevelopment of Master's House, Sheerness	1,318,670	530,920	0	Improvement & Resilience Fund/ Capital Receipts/ External Grant
Swale House Refurbishment	1,954,630	276,065	0	Borrowing
Total Regeneration & Economic Development	4,619,980	1,539,288	0	

Capital Quarter 1 2022/23

	2022/23 Working Budget	2022/23 Actual to date	2022/23 Projected Variance	Funding Notes
	£	£	£	
Environment & Leisure				
Barton's Point Coastal Park - replacement bridge	7,810	3,959	0	Capital Receipts
Beach Huts	60,000	0	0	Capital Receipts
Coach Parking Sheerness	35,000	0	0	Reserves
Gunpowder Works Oare Faversham - new footbridge and connecting paths	29,890	0	0	S106
Sheppey Improvement Fund	190,000	0	0	Capital Receipts
Leisure Centres / Changing Places toilets	293,850	0	0	Borrowing/ Grant
Lynsted Churchyard Walls	120,000	0	0	Capital Receipts
Milton Creek Access Road	40,000	0	0	Reserves
New Play Area – Iwade Schemes	45,000	0	0	S106
Open Spaces Play Equipment	456,000	0	0	S106
Play Improvements	200,000	64,984	0	Capital Receipts £50k/ Special Projects Fund/ Reserves
Public Toilets (including Minster Leas, Queenborough All Tide Landing, Forum Sittingbourne, Milton Creek Country Park and Toilets & Shower Block Barton's Point)	257,620	0	0	Special Projects & Improvement / Resilience Fund
Resurfacing Promenade, The Leas	73,830	0	0	External Grant
Resurfacing Shellness Road, Leysdown	0	3,677	3,677	Leysdown Project Reserve
Wheeled Bins	207,450	0	0	R & R Reserve
Total Environment & Leisure	2,016,450	72,620	3,677	

Capital Quarter 1 2022/23

	2022/23 Working Budget	2022/23 Actual to date	2022/23 Projected Variance	Funding Notes
	£	£	£	
ICT				
ICT Infrastructure & Equipment Replacement	218,520	16380	0	R & R Reserve
Total ICT	218,520	16,380	0	
Policy				
Council Chamber IT Equipment	50,000	0	0	Capital Receipts
Total Policy	50,000	0	0	
Total Capital Programme	35,929,630	2,133,576	3,677	