

<b>Policy and Resources</b>		<b>Agenda Item:</b>
<b>Meeting Date</b>	22 March 2023	
<b>Report Title</b>	Financial Management Report – Third Quarter Monitoring 2022/23	
<b>EMT Lead</b>	Lisa Fillery, Director of Resources	
<b>Head of Service</b>	Claire Stanbury, Head of Finance & Procurement	
<b>Lead Officer</b>	Caroline Frampton, Principal Accountant	
<b>Classification</b>	Open	
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. To note the projected revenue overspend of £531k.</li> <li>2. To note the capital expenditure of £5.3m against the Revised Budget as detailed in Table 2 and Appendix I.</li> </ol>	

## **1. Purpose of Report and Executive Summary**

- 1.1 This report sets out the quarter 3 revenue and capital budget monitoring forecast for 2022/23. The report is based on service activity for April – December 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 £531k – Table 1;
  - capital expenditure of £5.3m – 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 £'000	Projected Outturn 2022/23 £'000	Projected Variance £'000
Chief Executive	L Reed	247	249	2
Policy, Governance, Transformation & Customer Services	D Clifford	2,506	2,480	(25)
Director of Regeneration	E Wiggins	172	173	1
Director of Resources	L Fillery	133	132	(1)
Housing & Community	C Hudson	3,807	5,142	1,335
Planning	F Churchill	911	1,092	181
Environment & Leisure	M Cassell	6,949	6,675	(274)
Regeneration & Economic Development	J Johnson	(169)	(11)	158
Finance & Procurement	C Stanbury	811	781	(29)
Revenues & Benefits	Z Kent	303	138	(165)
Environmental Health	T Beattie	609	507	(102)
Information Technology	C Woodward	1,377	1,353	(24)
Internal Audit	K Woodward	194	178	(16)
Human Resources	B Sandher	483	446	(37)
Legal	C Valmond	550	440	(109)
Corporate Items		1,467	1,103	(364)
<b>NET REVENUE SERVICE EXPENDITURE</b>		<b>20,349</b>	<b>20,880</b>	<b>531</b>
<b>Finance by:</b>				
Revenue Support Grant		(119)	(119)	0
Lower Tier Services Grant		(192)	(192)	0
Services Grant		(296)	(296)	0
Business Rates		(9,072)	(9,072)	0
New Homes Bonus		(1,407)	(1,407)	0
Collection Fund Surplus		0	0	0
Council Tax Requirement		(9,263)	(9,263)	0
<b>TOTAL FINANCING</b>		<b>(20,349)</b>	<b>(20,349)</b>	<b>0</b>
<b>NET EXPENDITURE (Contribution (to)/from General Fund)</b>		<b>0</b>	<b>531</b>	<b>531</b>

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 The forecasts include contributions to reserves to roll forward unspent but committed funds, which reflect costs that were previously forecast to be spent in the current year.
- 3.3 **Policy, Governance & Customer Services (£25k) projected underspend**, a movement of £11k from quarter 2: (£51k) underspend mainly Members' Allowances, offset by a forecast overspend on the Sheerness Gateway with Kent County Council for additional building works.
- 3.4 **Housing & Community Services £1.335m projected overspend** – a movement of (£239k) from quarter 2:

	Movement for Qtr 2 variance to Qtr 3 Variance £'000	Projected variance as at Qtr 3 £'000
Temporary Accommodation	(168)	1,430
Licences - additional income	(44)	(25)
Community Services	10	(28)
Other	(37)	(42)
<b>Total</b>	<b>(239)</b>	<b>1,335</b>

The overspend in temporary accommodation - 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, increased their charges in September. However, the team are working hard to keep costs down as much as possible.

- 3.5 **Planning £181k projected overspend** - a movement of £101k from Quarter 2 to Quarter 3:

	Movement for Qtr 2 variance to Qtr 3 Variance £'000	Projected variance as at Qtr 3 £'000
Conservation & Design	1	2
Building Control	0	1
Local Land Charges (including shared service)	14	64
Planning Income (Net)	22	(353)
Staff costs and running costs	59	459
Planning Shared Service	0	(31)
Spatial Planning & Local Plan	5	39
<b>Total</b>	<b>101</b>	<b>181</b>

Net additional income of (£353k) to date from planning fees. This includes (£150k) from the major application at Bobbing; additional staffing and running costs of £392k; £64k loss of income from Local Land Charges; £50k costs in relation to Highstead Park applications transport assessment.

**3.6 Environment & Leisure (£274k) projected underspend** - a movement of £61k from Quarter 2 to Quarter 3:

	<b>Movement for Qtr 2 variance to Qtr 3 Variance £'000</b>	<b>Projected variance as at Qtr 3 £'000</b>
Environmental Services including refuse collection and street cleansing	48	52
Leisure & Technical Services	(107)	68
Parking Management	(60)	(488)
Other	60	94
<b>Total</b>	<b>(60)</b>	<b>(274)</b>

- Environmental Services - there is a projected overspend of £52k on refuse collection including £295k indexation compensation payable to contractor offset by (£150k) savings on new bins. Projected overspend of £26k on Street Cleansing relating to increased indexation compensation payable to the contractor. Projected reduced income of £90k re Garden Waste subscriptions due to a fall in the number of subscriptions. Projected underspend of (£39k) re Public Conveniences, as new facilities are not yet in service; Projected savings of (£60k) re staff and agency costs.
- Leisure & Technical Services - projected overspend of £68k on Parks & Open Spaces including overspend of £120k on Leisure & Sports Centres being increase in leisure centre utility costs; offset by net service (£64k) staff costs savings.
- Parking Management projected net additional income of (£488k) as detailed below:

<b>Projected variance as at qtr 3:</b>	<b>£'000</b>
General car parks - additional fees income	(412)
Multi Storey - additional fees income	(78)
Net excess parking charges	(24)
Net other	26
<b>Total</b>	<b>(488)</b>

- Other - projected overspend of £94k made up of £75k overspend on grounds maintenance due to indexation increase, plus various small variances.

**3.7 Regeneration and Economic Development projected overspend £158k**, a movement of £15k from quarter 2. The overspend continues to originate mainly from energy bills, agency staff and reduced rental income at Bourne Place.

- 3.8 **Finance & Procurement projected underspend (£29k)**, a (£67k) movement from quarter 2. This is mainly as a result of a further staffing vacancy and reduced agency costs.
- 3.9 **Revenues & Benefits (£165k) projected underspend** variance, a movement of (£93k) from quarter 2. This is largely driven by underspends of salary budgets, and also additional recovery of overpaid Housing Benefit.
- 3.10 **Shared Services (£289k) projected underspend**, an increase of (£29k) from quarter 2. The Legal Services projected underspend of (£109k) is due to additional income from recharges to Maidstone and Tunbridge Wells. There is a projected underspend on the service recharges from Maidstone Council for HR of (£37k) and IT of (£24k). Internal Audit recharges are also forecast to be underspent by (£16k). There is a projected underspend of (£102k) for the Environmental Shared Service with Tunbridge Wells Borough Council.
- 3.11 **Corporate Items projected underspend of (£364k)**, a movement of (£153k) from quarter 2. This is as a result of an improvement in net investment income as a result of the increasing interest rates, and a reduced MRP cost being anticipated due to previous slippage of capital projects.

### **Reserves**

- 3.12 As part of the budget build process a review of the use of reserves has been carried out and the details are included in the draft budget reported to Policy & Resources Committee on 30 November.

### **Capital Expenditure**

- 3.13 This section of the report details actual capital expenditure to end of quarter 3 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.
- 3.14 Members to note that the revised capital budgets have been reviewed as part of the budget process and details are included in the draft budget reported to Policy & Resources Committee on 8 February 2023. Some schemes have slipped to 2023/24 and 2024/25. In addition, any new schemes funded from reserves and funds have been reported. Appendix I provides further details.
- 3.15 Actual expenditure is £5.3m which is 40% 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 December 2022**

	<b>2022/23 Revised Budget £'000</b>	<b>2022/23 Actual to end of December 2022 £'000</b>	<b>Projected Variance £'000</b>
Housing & Community Services	6,177	1,400	0
Regeneration & Economic Development	5,123	3,637	0
Environment & Leisure	1,741	289	0
Information Technology	219	16	0
<b>Total Capital Programme</b>	<b>13,260</b>	<b>5,342</b>	<b>0</b>

3.16 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.

3.17 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**

3.18 The 2022/23 capital programme budgeted expenditure of £13.26m is to be funded as set out in Table 3 below.

**Table 3: Capital Programme Funding**

	<b>2022/23 Revised Budget £'000</b>
Capital grants and other contributions	6,957
Borrowing	3,090
Earmarked reserves	2,133
Capital receipts	953
Revenue & grant funding	127
<b>Total Capital Funding</b>	<b>13,260</b>

## **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.
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.

## 7. Appendices

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

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

## 8. Background Papers

- Council Meeting Agenda and Minutes 23 February 2022 Item 12
- Policy & Resources Committee 8 February 2023

## Capital Quarter 3 2022/23

	2022/23 Working Budget £'000	2022/23 Actual to date £'000	2022/23 Projected Variance £'000	Notes
<b>Housing &amp; Community Services</b>				
CCTV	0	0	0	This budget has moved to 2026/27
Disabled Facilities Grant Mandatory/Discretionary	5,720	1,191	0	External Grant
Housing Repair Grants Over 60	0	1	0	External Grant
RHB2 Decent Home Loans Owner Occupier	0	22	0	Long Term Loans/ Grants
Winter Warmth Grants	0	53	0	External Grant
Local Housing Company	360	88	0	Borrowing/ £22.833m of budget has been moved to 2023/24 onwards
Land Regeneration/Improvement Works at Dolphin Barge Museum & Skatepark	52	0	0	Special Project Fund
Murston Old Church	45	45	0	Community Fund/ new bid
<b>Total Housing &amp; Community Services</b>	<b>6,177</b>	<b>1,400</b>	<b>0</b>	
<b>Regeneration &amp; Economic Development</b>				
Central House – Lift Refurbishment	20	20	0	Building Maintenance Fund/ new bid
Faversham Creek Basin Regeneration Project (Swing Bridge)	0	0	0	This project of £200k has slipped to 2023/24
Sittingbourne Town Centre	641	0	0	Borrowing
High Streets	248	0	0	Town Centres, High Street Fund
St Michael's Church Boundary Wall, Sittingbourne	120	4	0	Town Centres, High Street Fund
Queenborough & Rushenden Klondyke Land Improvement	0	1,103	0	External Grant
Coronation Clock Tower Sheerness	144	83	0	Improvement & Resilience Fund/ Town Centres, High Street Fund
Redevelopment of Master's House, Sheerness	1,319	1,219	0	Improvement & Resilience Fund/ Capital Receipts/ External Grant
Swale House Refurbishment	1,955	1,208	0	Borrowing



## Capital Quarter 3 2022/23

	2022/23 Working Budget £'000	2022/23 Actual to date £'000	2022/23 Projected Variance £'000	Notes
UKSPF	38	0	0	External Grant/ new bid
LUF	638	0	0	External Grant/ new bid
<b>Total Regeneration &amp; Economic Development</b>	<b>5,123</b>	<b>3,637</b>	<b>0</b>	
<b>Environment &amp; Leisure</b>				
Barton's Point Coastal Park - replacement bridge	39	8	0	Capital Receipts
Barton's Point Drainage Project	70	0	0	Sheppey Improvement Fund - Reserves
Beach Huts	0	0	0	This project of £60k has moved to 2023/24
Changing Places Toilets – Swallows	49	0	0	S106 / Borrowing
Coach Parking Sheerness	35	0	0	Reserves
Faversham Recreation Ground	0	3	0	External Grant/on-going project
Gunpowder Works Oare Faversham - new footbridge and connecting paths	30	0	0	S106
Leisure Centres Condition Surveys Improvements	287	0	0	Borrowing / External Grants
Lynsted Churchyard Walls	0	0	0	This project of £120k has moved to 2023/24
Milton Creek Access Road	75	0	0	Reserves
Open Spaces Play Equipment	456	117	0	S106
Open Space Play Equipment – Millfield, Faversham	59	59	0	Revenue & Grant Funding
Play Improvements	197	0	0	Capital Receipts / Special Projects Fund/ Reserves
Play Improvements – Diligent Drive	16	16	0	Reserves/Special Projects Fund
Play Area Manor Grove, Sittingbourne	65	65	0	Revenue & Grant Funding/New Scheme
Sheerness Public Toilets	120	0	0	Sheppey Improvement Fund - Reserves

## Capital Quarter 3 2022/23

	2022/23 Working Budget £'000	2022/23 Actual to date £'000	2022/23 Projected Variance £'000	Notes
Swallows Roof Improvement	17	17	0	Covid Recovery Fund - Reserves
Public Toilets (including Minster Leas, Queenborough All Tide Landing, Forum Sittingbourne, Milton Creek Country Park and Toilets & Shower Block Barton's Point)	222	0	0	Special Projects & Improvement / Resilience Fund
Resurfacing Shellness Road, Leysdown	4	4	0	Reserve/Revenue Funding
Wheeled Bins	0	0	0	This project has moved to 2023/24
<b>Total Environment &amp; Leisure</b>	<b>1,741</b>	<b>289</b>	<b>0</b>	
<b>Policy</b>				
Council Chamber IT Equipment	0	0	0	This project of £50k has been moved to 2023/24
<b>Total Policy</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>ICT</b>				
ICT Infrastructure & Equipment Replacement	219	16	0	R & R Reserve
<b>Total ICT</b>	<b>219</b>	<b>16</b>	<b>0</b>	
<b>Total Capital Programme</b>	<b>13,260</b>	<b>5,342</b>	<b>0</b>	