

Policy and Resources		Agenda Item:
Meeting Date	12 July 2023	
Report Title	Financial Management Report – Outturn 2022/23	
EMT Lead	Lisa Fillery, Director of Resources	
Head of Service	Claire Stanbury, Head of Finance and Procurement	
Lead Officer	Caroline Frampton, Principal Accountant	
Classification	Open	
Recommendations	<ol style="list-style-type: none"> 1. To note the revenue underspend of £29k. 2. To note the level of reserves at 31 March 2023 as detailed in table 3. 3. To note the capital slippage of £7,187k and capital expenditure of £6,967k against the Revised Budget as detailed in table 4 and appendix I. 4. To approve the capital rollovers of £7,187k as detailed in appendix I for approval. 5. To request delegation to the Director of Resources to work with budget holders to review the rollover requirements and amend the capital programme as necessary, to make best use of capital funding streams and minimise the impact on the Council's financial resources. 	

1. Purpose of Report and Executive Summary

- 1.1 This report sets out the revenue and capital outturn position for 2022/23. The report is based on service activity for the whole of 2022/23 and is based on the final spend and income in the year, including transfers to and from reserves.
- 1.2 The purpose of the report is to compare the actual spend and income incurred in 2022/23 to the budget and to provide explanations for any variances. The report also requests the rollover of capital budgets, along with delegation for the Director of Resources to review rollover requirements and make amendments for the good of the Council
- 1.3 The headline figures are:
 - Total revenue underspend of £29k – Table 1;
 - Capital expenditure of £6,967k – Table 4; and,
 - £7,187k rollover requests of capital underspends – appendix I.

2. Background

- 2.1 The Council operated a budget monitoring process at Head of Service level, with regular reports during 2022/23 to the Policy & Resources Committee and the Strategic Management Team.

3. Proposals

Revenue Outturn

Table 1 - Variance by Service:-

	Budget 2022/23 £'000	Spend 2022/23 £'000	Over/ (Under) Spend 2022/23 £'000
Chief Executive	552	541	(11)
Policy, Governance, Transformation & Customer Services	1,784	1,706	(78)
Housing & Community Planning	4,563	5,660	1,097
Environment & Leisure Regeneration & Economic Development	965	1,182	217
Finance & Procurement	7,130	6,662	(468)
Revenues & Benefits	668	681	13
Environmental Health	811	846	35
Information Technology	1,060	1,099	39
Internal Audit	642	658	16
Human Resources	1,377	1,318	(59)
Legal	194	135	(59)
Net contributions to / (from) reserves	491	404	(87)
Corporate Items	550	430	(120)
Cost of Services	22,000	21,983	(17)
Financed by:			
Budget Contingency Reserve	(1,651)	(1,651)	0
Council Tax	(9,263)	(9,263)	0
Other Grants	0	(8)	(8)
Services Grant	(488)	(492)	(4)
Business Rates	(9,072)	(9,071)	1
New Homes Bonus Grant	(1,407)	(1,407)	0
Revenue Support Grant	(119)	(120)	(1)
(Surplus) in Year	0	(29)	(29)

- 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:-

Policy, Governance, Transformation and Customer Services (£78k) underspend – The variance is a result of underspends on staff costs and members allowances.

Housing & Community £1,097k overspend – The variance is largely due to an increase in the cost of temporary accommodation. This was a mixture of an increase in demand, as well as an increase in the cost of placements.

Planning £217k overspend – The variance is due to increased costs of staffing due to difficulties in recruiting permanent staff, this is a net position as additional income was also achieved during the year.

Environment & Leisure (£468k) underspend – Parking activity has recovered well from the recent setbacks, and the final position was therefore better than anticipated. The introduction of charges for replacement wheeled bins also resulted in an underspend on the purchase of replacement bins.

Shared Services (£309k) underspend – There were a number of staff vacancies across the shared services that created savings within the year. Legal Services underspend was a result of lower than budgeted use of the shared Legal Service by SBC.

Corporate items (£497k) underspend – the main reason for the variance was higher than anticipated investment income due to the increased bank rate. This was slightly reduced by additional insurance costs that were above the budget level.

General Fund

3.2 The General Fund is shown below. The Council's policy is to maintain a balance of at least £1.5m in the General Fund. This balance represents 11.5% of the cost of services for 2022/23 and is therefore deemed to be at an adequate level.

Table 2: General Fund Balance

	£'000
General Fund balance at 1 April 2022	(3,074)
Underspend in 2022/23	(29)
General Fund Balance	(3,103)

Earmarked Reserves

3.3 Table 3 below sets out the earmarked reserves balances as at 31 March 2023.

Table 3: Earmarked Reserves

	Balance as at 1 April 2022 £'000	Contributions (to)/ from reserve in year £'000	Balance as at 31 March 2023 £'000
Budget Contingency Reserve (Planned Use)	(1,651)	1,651	0
Budget Contingency Reserve (Balance)	(1,167)	(1,753)	(2,920)
Kent Pool Economic Development Business Rates	(1,739)	55	(1,684)
North Kent Housing & Commercial Growth Business Rates	(1,580)	246	(1,334)
Special Project Fund	(1,407)	742	(665)
Business Rates Volatility	(1,395)	593	(802)
Improvement & Resilience	(794)	467	(327)
Building & Asset Maintenance	(681)	(60)	(741)
Service Reserves	(1,516)	225	(1,291)
Waste and Environment	(470)	14	(456)
ICT Equipment Reserve	(416)	(78)	(494)
Town Centre/High Streets	(424)	202	(222)
Repairs & Renewals	(342)	37	(305)
Miscellaneous	(3,594)	1,518	(2,076)
Total Earmarked Reserves	(17,176)	3,859	(13,317)
Collection Fund & Grants In Advance	(5,632)	3,902	(1,731)
Accounting Adjustments	(933)	851	(82)
Total Reserves	(23,741)	8,611	(15,130)

- 3.4 As previously approved at Policy and Resources committee on 8 February 2023, an in year review and rationalisation of reserves took place and transfers were made to ensure that reserve levels support the agreed Medium Term Financial Plan.
- 3.5 There was a budgeted use of the Budget Contingency Reserve of £1.6m. Further transfers to this reserve were made in year as part of the rationalisation exercise.
- 3.6 The reserves also funded the Swale Rainbow Homes project, Improvement and Resilience, and Special Projects, Master's House redevelopment, and town centre improvements. The balances on Special Projects, Improvement & Resilience and Town Centre Reserves are all fully committed and due to be spent in 2023/24.
- 3.7 There was significant expenditure incurred from reserves that accounted for the Collection Fund deficit that arose during the Covid pandemic, and that was

funded by government grants. These were accounting adjustments that allowed us to smooth the impact of the government grant schemes.

- 3.8 Contributions were made to the building and asset maintenance reserve, and the ICT equipment reserve to ensure that future peaks in required spend can still be met.

Capital Expenditure

- 3.9 This section of the report details actual capital expenditure and highlights any variations between the revised 2022/23 capital budget and the outturn.
- 3.10 Actual expenditure in 2022/23 was £6,967k which was 49% of the budget. There was capital slippage of £7,187k. A summary is set out in Table 4 below and further details are shown in appendix I.
- 3.11 There are a number of externally funded capital projects where the revised budget has been amended to reflect the resources made available. These are detailed in appendix I

Table 4 – Capital Outturn

Capital Scheme	2022/23 Revised Budget £'000	2022/23 Outturn £'000	2022/23 Variance £'000	Rollover Request £'000
Housing & Community Services	6,275	1,920	(4,355)	4,355
Regeneration & Economic Development	5,812	4,517	(1,295)	1,295
Environment & Leisure	1,923	503	(1,421)	1,346
ICT Infrastructure & Equipment	219	27	(192)	192
Total Capital Programme	14,229	6,967	(7,262)	7,187

The explanations for the significant capital variances and rollovers are shown below:

- Housing and Community Services - Disabled Facilities Grant** – This accounts for £4m of the rollover request. 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. 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.
- Regeneration & Economic Development High Streets – Queenborough & Rushenden Klondyke Land Improvement** – This is fully funded from external grant.

Funding of the 2022/23 Capital Programme

3.12 The 2022/23 capital programme expenditure of £6,967k was funded as set out in Table 5 below.

Table 5: Capital Programme Funding

	2022/23 Outturn £'000
Capital grants and other contributions	3,338
Capital receipts	28
Earmarked reserves	1,812
Direct revenue funding	129
Borrowing	1,660
Total Capital Funding	6,967

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
Legal, Statutory and Procurement	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.
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.

Issue	Implications
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 Outturn 2022/23

8. Background Papers

- Council Meeting Agenda and Minutes 22 February 2023 Item 11
- Policy & Resources Committee 8 February 2023