

Policy and Resources Committee		Agenda Item:
Meeting Date	29 November 2023	
Report Title	Financial Management Report – Half Year 2023/24	
EMT Lead	Lisa Fillery, Director of Resources	
Head of Service	Claire Stanbury, Head of Finance & Procurement	
Lead Officer	Caroline Frampton, Principal Accountant	
Classification	Open	
Recommendations	<ol style="list-style-type: none"> 1. To note the projected revenue position, which is balanced through a reduction of £500,000 in the amount to be taken from reserves. 2. To note the capital expenditure of £1.4m against the budget as detailed in Table 2 and Appendix I. 3. To approve the transfers to reserves to create an insurance reserve and an investment smoothing reserve. 	

1. Purpose of Report and Executive Summary

- 1.1 This report sets out the half year revenue and capital budget monitoring forecast for 2023/24. The report is based on service activity for April – September 2023 and is collated from monitoring returns from budget managers.
- 1.2 The purpose of the report is to forecast the estimated outturn position for 2023/24 compared to the budget approved at Council in February 2023 and subsequently amended by virements, made under delegated authority during the year.
- 1.3 The headline figures are:
 - revenue underspend on services of £500,000 which will reduce the value of reserves used in year to balance the finances – Table 1;
 - capital expenditure of £1.4m – Table 2 and Appendix I.
- 1.4 The Head of Finance and Procurement would like to express her thanks to budget managers and Heads of Service for the way in which they have all adapted to the new budget monitoring process being used this year.

2. Background

- 2.1 The Council operates a budget monitoring process at Head of Service level, with regular reports to the Executive Management Team and Policy and Resources Committee.
- 2.2 Departments work alongside their Finance colleagues to produce the forecasts, using information within last year's outturn position and actual income and expenditure within the year as a guide.

3. Proposals

Revenue Outturn

Table 1 - Variance by Service

	Working Budget £'000	Projected Outturn £'000	Projected Variance £'000
Chief Executive	604	613	9
Elections & Communications	554	583	29
Democratic Services & Information Governance	967	953	(14)
Housing & Community	4,869	5,112	242
Planning	574	1,089	515
Environment & Leisure	8,335	7,711	(624)
Regeneration & Economic Development	(157)	(193)	(35)
Finance & Procurement	824	829	5
Revenues & Benefits	411	272	(139)
Environmental Health	548	595	47
Information Technology	1,285	1,331	46
Internal Audit	176	165	(12)
Human Resources	449	451	1
Legal	564	558	(6)
Drainage Board Levy	951	912	(39)
Corporate Overheads & Capital Financing	2,942	2,416	(526)
NET REVENUE SERVICE EXPENDITURE	23,897	23,397	(500)
Finance by:			
Budget Contingency Reserve	(2,045)	(1,545)	500
Revenue Support Grant	(317)	(317)	(0)
Funding Guarantee Grant	(497)	(497)	0
Services Grant	(174)	(174)	0
Business Rates	(10,122)	(10,122)	0
New Homes Bonus	(1,103)	(1,102)	1
Collection Fund Surplus	45	45	(0)
Council Tax Requirement	(9,684)	(9,683)	1
TOTAL FINANCING	(23,897)	(23,396)	501
NET EXPENDITURE (Contribution (to)/from General Fund)	0	1	1

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.

3.2 The significant variances from budget are explained below.

3.3 Housing & Community Services £242,000 projected overspend

	Working Budget £'000	Projected Outturn £'000	Projected Variance £'000
Temporary Accommodation	3,077	3,435	358
Licensing	(84)	(92)	(8)
Community Services	973	1,022	49
Customer Services	613	531	(82)
Other	280	206	(74)
Total	4,858	5,101	242

The overspend in temporary accommodation (TA) - the growth in landlord charges continues to be a concern, reflecting the current economic position, which is also causing the case load to increase. The main providers of TA, Link and Paramount, both increased their costs last year by approximately 25%, and Paramount have increased their fees further this year. However, the team are working hard to keep costs down as much as possible, and the project to purchase houses for TA use is now progressing, which will help to control costs. The additional costs are partly offset by grants received to fund the costs of housing Ukrainian nationals. The savings summary shows the TA savings target as being partially achieved, despite the fact that an overspend is being reported against the service. The partial achievement recognises that efficiencies and other solutions are being implemented, but the overspend is due to the increase in the costs of existing solutions which we cannot move away from fully.

The income received for most licences has fallen below budget in the last few years, and this is expected to remain true, although it is forecast that income will remain in line with that received over recent years. Hackney carriage licence income remains strong, and there are small savings in salary costs this year which help to achieve an underspend overall. Structural budget issues will be picked up as part of the budget process for 2024/25, ensuring that budgets are appropriately aligned with the sources of income.

Community Services includes the departmental salary savings that are expected from the restructure, which was a budget reduction of £121,000. This saving has not yet been profiled across the teams, and so is held in this service area. The restructure is now complete, so the budget will be reprofiled accordingly. Some of this saving is being made within the service area, and combined with underspends reducing the forecast overspend to £49,000. This area also includes an overspend for an extra post in the CCTV unit that is required due to the implementation of the 34 hour week.

Customer Services is showing a forecast underspend of £82,000 which is largely due to salary savings. This will be addressed as part of reprofiling the salary savings budget currently held in the Community Services reporting line.

'Other' includes salary savings expected in Private Sector Housing services and a small increase in Disabled Facilities Grant fee income.

3.4 Planning £515,000 projected overspend

	Working Budget £'000	Projected Outturn £'000	Projected Variance £'000
Conservation & Design	85	85	0
Building Control	107	87	(20)
Local Land Charges (including shared service)	(170)	(61)	109
Development Management	(247)	215	462
Planning Shared Service	218	195	(24)
Spatial Planning & Local Plan	581	569	(12)
Total	574	1,089	515

Building Control is currently forecasting an underspend of £35,000 which reflects the agreed 2023/24 membership fee. This is partially offset by additional costs on dangerous structures.

Local Land Charges position is showing a forecast overspend of £109,000. This reflects an expectation that income will be less than budget, and this may need to be addressed as part of the budget setting process for 2024/25. Income was below budget last year, and current data shows a downward trend in activity.

Development Management is forecasting an overspend of £462,000. This includes an overspend of £586,000 on staffing related costs as there is currently a need to use agency staff due to recruitment problems. This is partially offset by income expected to achieve above the budget level, although not for all income sources. Planning application fees are expected to achieve slightly above budget, and that is despite the delay in being able to implement the increased fee, due to Central Government.

3.5 Environment & Leisure £624,000 projected underspend

	Working Budget £'000	Projected Outturn £'000	Projected Variance £'000
Environmental Services	6,449	5,737	(711)
Leisure & Technical Services	1,580	1,826	246
Grounds Maintenance	1,709	1,735	25
Parking Management	(1,592)	(1,844)	(253)
Other	189	258	69
Total	8,335	7,711	(624)

Environmental Services have a projected underspend of £711,000 which is largely attributable to refuse collection and street cleansing. This includes £50,000 forecast compensation income payable by the contractor for poor performance. The main reason for the underspend is that indexation was lower than forecast a year ago. Garden waste income is forecast to exceed budget by £30,000 although there is a risk of non-renewal of subscriptions that could lead to the forecast not being reached.

Leisure & Technical Services are showing a projected overspend of £246,000. This contains:

- an expected £101,000 cost on leisure and sports centres in relation to an increase in leisure centre utility costs;
- the extra cost of refunding car parking at Swallows Leisure Centre, which at the current rate is expected to be £60,000 more than last year;
- an anticipated underachievement of beach huts income of £32,000 due to there being a delay on the 26 additional huts which were allowed for in the rental income budget;
- an overspend of £52,000 in parks and open spaces, some of which are historic budget issues that need to be picked up as part of 2024/25 budget setting, but also due to extra health and safety work required on large trees.

Non-contract additional grounds maintenance of £55,000 at Barton's point will be offset by £55,000 Levelling Up grant received.

Parking Management is forecast to underspend by £253,000 this year, which is made up of £413,000 of additional income, offset by overspends for items such as electricity, contract inflationary increases, and increased transaction fees from taking card payments. We will look to address structural budget issues as part of the 2024/25 budget setting process.

The additional projected income of £413,000 as detailed below:

Projected variance as at quarter 1:	£'000
General car parks - additional fees income	(223)
Multi Storey - additional fees income	(140)
Net excess parking charges	(50)
Net other	0
Total	(413)

The forecast overspend of £69,000 on 'Other' is largely down to the combined salary savings to be achieved through restructure. The restructure is complete and savings are being achieved through the team, but the budget has not yet been profiled accordingly.

3.6 Regeneration and Economic Development projected underspend £35,000

The underspend within Regeneration and Economic Development includes some savings due to staff vacancies, although these are also offset by the cost of agency staff. There is additional rental income being achieved in a number of properties this year due to back rent due from rent reviews, which means that although rental income will be greater on these properties in future years, this year is seeing a spike in those particular rents.

3.7 Shared Services £77,000 projected overspend

There is a projected overspend of £47,000 for the Environmental Shared Service with Tunbridge Wells Borough Council, which we will look to address in

budget setting for 2024/25, and an estimated overspend of £46,000 within ICT from expected maintenance costs.

3.8 Drainage Board Levy projected underspend of £39,000

Due to the large increase in drainage board levy fees, those councils who were disproportionately affected received a grant from central government. Swale were one of the few to receive such a grant, and that grant is the reason for the underspend shown here. Current expectations are that the grant is for one year only.

3.9 Corporate Overheads and Capital Financing projected underspend of £526,000

This includes an improvement in net investment income of £249,000 as a result of the increasing interest rates, a saving on KCC pension costs of £210,000, a saving of £36,000 on MRP costs due to previous slippage of capital projects, and a saving of £67,000 from the recent retendering of the insurance contract.

3.10 £100,000 of savings on the insurance contract will be used this year to create an insurance reserve. This will be a one-off contribution to this new reserve, and this is included as a saving in future years.

3.11 The excess investment income currently being achieved due to higher interest rates is partly being used to reduce the overall take from reserves. However, we propose transferring £100,000 to an investment smoothing reserve. The reason for this is that a technical accounting requirement is due to be effective from 2025/26 which will result in changes in investment valuations impacting on Council Tax levels. The creation of this reserve will allow us to smooth the impacts of those changes in valuations, to hopefully avoid creating budget pressures in future years.

3.12 Budget Contingency Reserve projected overspend of £500,000

The overall position currently forecast would be an underspend of £500,000. However, as we are drawing down money from reserves in order to balance the budget position this year, and underspend will result in a reduced take from reserves, as reported here.

Achievement of Savings

3.13 Departmental salary savings have been achieved in service areas, but budgets are still to be realigned in line with the revised structures. Although the budgets are not currently aligned, monitoring has taken place to ensure that the savings are being achieved.

3.14 As previously mentioned in this report, the growth built in for the waste contract price increase in 2023/24 has not been required in full, due to indexation coming in lower than expected. As we start a new contract on 24 March 2024, this is not an ongoing saving. However, assumptions around inflation were made in calculating the starting position for the new Suez contract, and that is now being reassessed as part of budget setting for 2024/25 and it is expected that there will be some saving against the original assumption.

- 3.15 An exercise has been carried out to review the savings proposals for 2023/24 and assess if those savings are being achieved. The results of that exercise are shown in Appendix II.
- 3.16 This analysis of the half year forecast will feed into the budget setting process for 2024/25, analysing the savings that were built into the 2023/24 budget and ensure that those savings are on target to be achieved, as well as identifying other areas of pressure or potential savings.

Capital Expenditure

- 3.17 This section of the report details actual capital expenditure at the half year and highlights any variations between the 2023/24 capital budget and the projected outturn. The revised budget includes the 2022/23 roll forwards as agreed by the Policy and Resources Committee 12 July 2023, but amended based on spend allocated to revenue budgets in the previous year.
- 3.18 New schemes funded from reserves and funds have been reported. Appendix I provides further details.
- 3.19 Actual expenditure is £1.4m which is 4.23% of the budget. A summary is set out in Table 2 below and further details are shown in Appendix I.
- 3.20 Although only 4.23% of the total capital budget has been spent so far, the working budget does contain amounts brought forward from previous years, which will likely slip again into future years. A large budget where this is expected to happen is the Disabled Facilities Grant, which is effectively a rolling budget and a backlog of work was created during the covid lockdown periods, with works now taking place.
- 3.21 Some large capital spend is also expected in the second half of the year, with the waste vehicles becoming due in full, and activity on the purchase of houses for temporary accommodation getting to the stage of completing on the first houses. The payment for the waste vehicles alone will push the spend up to 25.4% of budget.

Table 2 – Capital Expenditure to end of September 2023

	2023/24 Budget £'000	Actuals April to June £'000	Projected Variance £'000
Housing & Community Services	16,022	664	0
Regeneration & Economic Development	8,215	456	0
Environment & Leisure	8,705	255	0
Information Technology	242	27	0
Total Capital Programme	33,184	1,402	0

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 2023
- Appendix II: Savings Progress 2023/24

8. Background Papers

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

Capital Half Year Position 2023/24

Scheme	2023/24 Original Budget £'000	2023/24 Working Budget £'000	2023/24 Actuals To Date £'000	2023/24 Projected Variance £'000
Disabled Facilities Grants	2,063	6,103	637	0
Local Housing Company	5,000	5,263	0	0
Dolphin Barge Museum & Skatepark	0	52	0	0
Forstal Community Association	0	65	20	0
Purchase of Temporary Accommodation	4,400	4,400	7	0
Local Authority Housing Fund (Bridging)	139	139	0	0
Housing & Community Services	11,602	16,022	664	0
Faversham Creek Basin Regeneration	200	200	0	0
High Streets	0	116	0	0
St Micheal's Church Boundary Wall	0	66	62	0
Swale House Refurbishment	0	282	117	0
Rural England Prosperity Projects	126	126	0	0
UKSPF	37	37	0	0
Levelling Up Scheme	7,349	7,349	274	0
Wayfinding Signage - Faversham	0	40	3	0
Regeneration & Economic Development	7,711	8,215	456	0
Waste Vehicle Fleet	7,035	7,035	0	0
Beach Huts	143	143	0	0
Coach Parking	0	35	0	0
Gunpowder Works Oare Faversham	0	30	0	0
Sheerness Public Toilets	0	120	84	0
Barton's Point Drainage	0	50	0	0
Leisure Centre Improvements	0	287	0	0
Lynsted Churchyard Walls	120	120	0	0
Open Spaces Play Equipment & Improvements	0	513	46	0
The Forum Public Toilets	0	42	0	0
Barton's Point Shower & Toilets	0	180	125	0
Changing Places	0	150	0	0
Environment & Leisure	7,298	8,705	255	0
ICT Replacement	0	192	27	0
Council Chamber IT Equipment	50	50	0	0
Resources Total	50	242	27	0
Grand Total	26,661	33,184	1,402	0