

2022/23 Provisional Outturn

Cabinet	21 September 2023
Report Author	Chris Blundell, Director of Corporate Services - Section 151
Portfolio Holder	Cllr Rob Yates, Portfolio Holder for Finance
Status	For information
Classification:	Unrestricted
Key Decision	No
Ward:	All Wards

Executive Summary:

This report provides CMT with a view on the 2022/23 provisional outturn for General Fund revenue and capital, as well as the Housing Revenue Account. As indicated, these figures are provisional and therefore subject to possible change as part of the year-end accounts closure process. Recharges and other year end adjustments have been excluded to allow a like for like comparison with the last budget monitoring report, Monitor No. 2, taken to Cabinet on 15 December 22.

Recommendation(s):

1. That CMT notes the following:
 - (i) The provisional outturn position for the General Fund.
 - (ii) The provisional outturn position for General Fund Capital.
 - (iii) The provisional outturn position for the Housing Revenue Account.
 - (iv) The provisional outturn position for Housing Revenue Account Capital

Corporate Implications

Financial and Value for Money

The financial implications have been reflected within the body of the report.

Legal

Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to monitor and control the Council's finances in order to provide a balanced budget.

Corporate

Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the Council's current position.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no direct equality implications arising from this report, however the delivery and implementation of and budgetary changes will consider this as part of the budget setting process and be reported to members in due course.

It is important to be aware of the Council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by Council.

Corporate Priorities

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

1.0 General Fund – Provisional Outturn 2022/23

1.1 The General Fund revenue budget covers all income and expenditure associated with the day-to-day running of the council's services. Table 1 below summarises the draft General Fund outturn position for 2022/23, it does not include corporate recharges and other technical accounting adjustments. It should be noted that the figures are still

provisional, as the draft statement of accounts have not yet been published and then will be subsequently subject to an external audit.

Table 1: 2022-23 Provisional Outturn

Function	Revised Budget £'000	Actual £'000	Variance £'000	Paragraph
Chief Executive	505	411	-94	See Para 2.1
Deputy Chief Executive and s151 Officer	7,156	7,908	752	See Para 2.2
Corporate Governance	1,961	2,448	+487	See Para 2.3
Communities	5,410	6,261	+851	See Para 2.4
Corporate Budgets	3,006	3,006	0	See Para 2.5
Net Revenue Expenditure	18,038	20,034	+1,996	See Para 3

Positive variances (+): *overspends or underachievement of income*

Negative variances(-): *underspends or surplus income*

- 1.2. Table 1 shows a draft £1.996m overspend on revenue budgets for the 2022/23 financial year. This is closely aligned with the forecast of a £1.921m overspend that was reported to members quarter 2 of 2022/23.
- 1.3. Please note that the financial performance for 2022/23 is reported against the council's previous organisational structure, reflecting the management structure that was in place for that financial year.
- 1.4. Section 3 sets out the proposed approach to finance this net overspend.

2.0 General Fund provisional outturn

The following section sets out the draft net spending position, compared to the approved budgets for 2022/23, across the council's various service headings.

Chief Executive

2.1 A provisional outturn figure of -£94k underspend.

- (i) This is predominantly due to salary savings, which has arisen because the council has been able to pay for some Regeneration staffing roles from additional Business Rates growth funding. It should be noted that this funding can only be used for economic development related activities.

Deputy Chief Executive and s151 Officer

2.2 A provisional outturn figure of -£1.248m Underspend.

(i) **Housing Services +£989k**

The pandemic resulted in additional pressures being placed on the service to place vulnerable homeless and rough sleepers in temporary accommodation (TA), this pressure has then been further compounded by the cost of living crisis and has resulted in an overspend of +£1.083m for 22/23.

The 2023/24 budget for this service heading was increased by £800k, as a direct result of this pressure. Costs have been partially mitigated as a result of bringing some of this work forward and it is anticipated that this will continue to help manage the costs over the forthcoming year.

These additional costs have been partially offset by staff related savings across the various housing teams, totalling -£94k.

(ii) **Housing Benefit +£0k**

The Council processed over £35m of Housing Benefit (HB) payments that mainly were funded by HB subsidy payments from central government, after taking this into consideration this position was a +£455k overspend compared to budget.

Due to the scale and the nature of the transactions the accounting for HB is complex and volatile and as such difficult to forecast from a financial planning perspective, consequently it is not possible to isolate all individual factors that contributed to this overspend, but it is expected that Cost of Living will have had an impact. It is proposed that this overspend be financed from the Council's equalisation reserve.

(iii) **Communications and Digital £0k**

There were unforeseen savings -£58k across communications and digital. It is proposed that a new Digital/Communications reserve is set up and that any underspend is moved here to facilitate future spend associated with digital transformation projects.

(iv) **Planning £0k**

There was a shortfall in planning income of +£147k from income from planning applications, due in the main to major applications being deferred to 2023/24. Staffing costs also overspent by +£59k across the Planning service and again it was anticipated that this would be offset by reduced contributions to the Planning reserve.

It is proposed that this will be met by reducing the planned contribution to the Planning reserve.

(vi) **Finance & Procurement -£237k**

After taking into consideration the wider movements across the service, increased Interest income, offset by increased costs associated with corporate pension charges, there is a net underspend of -£113k, over and above this there is a further -£124k in unringfenced grants that have been utilised to offset costs elsewhere.

There are also savings on MRP and Interest on borrowing and it is proposed that this -£400k is moved to reserves to allow for a revenue contribution for toilet refurbishments in 2023/24, as a result, this has not been included in the net outturn position for Finance.

Director of Corporate Governance

2.3 A provisional outturn figure of +£487k overspend:

(i) **Property +£198k**

To address budget shortfalls from previous years, we initiated a comprehensive review of our property portfolio. This review took into account factors such as the age and condition of our assets and the market dynamics affecting rental income. Consequently, we allocated additional resources to this initiative for the 2022/23 financial year. It's important to note that this review is being carried out in phases, and it will take some time before we can fully optimise our rental income to align with budget expectations. As a result of this ongoing process, there was a net income shortfall of +£198k.

(ii) **Building control +£166k**

This is mainly due to income being below budget, primarily as a result of the delayed impact of delivering planned service changes.

(iii) **Land Charges +£84k**

There has been a +£84k deficit against the 2022/23 income budget for local land charge searches. The service management has undertaken action to address prior year structural budget shortfalls.

(iv) **Facilities Management +£39k**

There were overspends of +£74k on office accommodation mainly associated with utilities in 2022/23, these have been offset in part by savings of -£35k due to reduced staffing costs on facilities, print and mail.

(v) **Leisure and Theatres +£0k**

The net cost associated with the ongoing transition arrangements resulted in an overspend of £200k, however as planned this will be managed with a contribution from reserves.

Director of Communities

2.4 **A provisional outturn figure of +£943k overspend:**

(i) **Enforcement Services +£0k**

Parking income has been affected as a result of difficulties recruiting and retaining enforcement officers, but equivalent staffing savings on this will be used to smooth the impact on reserves and any surplus on On-Street parking, regardless of size, will be managed through the reserve, in line with the Road Traffic Act, as a result there is zero variance here.

Within the Council's off-street car parks income is down compared to budget by +£66k at year-end, this represents a pressure for the General Fund but will be covered by reduced charges to service.

An additional +£33k income shortfall has been seen within on-street parking. However, this has been more than offset by reduced costs associated with on-street reduced enforcement charges.

(ii) **Domestic Waste/Street Cleansing +£438k**

Despite coming out of the pandemic, the vast majority of overspend is primarily due to higher than historical rates of sickness absence and a consequent reliance on agency staff across the entirety of the service +£353k, as well as inflationary pressures placed on the fuel budget and vehicle repairs and maintenance, which again resulted in a large proportion of this forecast at +£146k, this is offset in part by corporate savings on utilities elsewhere -£146k.

Over and above these there were other increased costs associated with net operating position relating to Trade Waste +£85k.

(iii) **Maritime and Technical Services +£353k**

There was a +£340k income shortfall compared to budget within Port operations due to restricted opportunities, as well as £13k within the Harbours where visitor numbers both domestic and foreign were impacted.

(iv) **Toilets +£45k**

The council invested an additional +£45k, over and above existing budget provisions, for additional public toilets throughout the peak summer period. This was necessary to meet the demand from the continued trend of increased visitor numbers to the district

(v) **Coastal Development +£71k**

Additional beach clearance was required during peak season, resulting in additional costs of +£53k over budget, and finally there were increased costs across seaweed clearance and water safety of +£72k, these are offset by reduced costs associated with staff vacancies within the Coast/Tourism and Development Management team of -£54k,

(vi) **Licensing Income -£38k**

There has been an additional -£38k of income against budget due in the main to increased income on both private hire and entertainment/alcohol.

(vi) **Community Safety -£92k**

There have been an underspend on Sports Development of -£7k, mainly due to reduced delivery of sport programmes, along with the reduced cost of delivering Community Safety -£21k, increased income for outside events -£35k and an underspend on the cost of providing the dog warden service -£30k.

(vii) **Open Spaces -£92k**

Underspends of -£49k associated with reduced staffing costs in Open Spaces, along with additional income for the provision of sports pitches of -£14k and additional charges to the HRA -£12k and reduced costs in relation to minor works in the main reduced repairs -£12k, other minor variances of -£5k.

(ix) **Crematorium and cemeteries +£206k**

The varying impact of covid on mortality rates has made it more difficult to forecast income for the service. Due to a variety of factors, the income within this service area is down compared to the budget, resulting in a shortfall of +£143k, over and above this, the impact of utility increases on this service are +£63k.

(x) **Public Protection Manager -£40k**

In year savings on staff related costs -£40k due to vacancies.

Corporate Budgets

2.5 Due to the fact that we have not finalised the year end accounting entries for the 2022/23 financial year, we are not able to indicate with any certainty whether the position on Corporate accounting will change, only that if changes are required, they will inevitably be offset by entries elsewhere.

3. Reserve Transfers

Estimated Reserve movements Required to balance outturn -£1.996m

(i) In order to cover the net overspend at year end it is proposed that the funding will be drawn down from the residual -£810k reserves associated with funding provided for the Covid pandemic.

Furthermore, at this stage of the production of the draft final accounts, it is reasonable to assume that the council will retain up to a maximum £7.255m of business rates and accordingly a surplus of -£1.136m can be considered to be available at this stage to offset the projected overspend.

Any variation beyond the projected overspend and identified funding will require a decision on how the balance is to be funded from other reserves.

Further information will be provided in due course on reserves as at the end of close down process

Proposed new reserves if Outturn allows

(ii) It is proposed to establish a new Digital/Communications to receive and allocate the -£58k service underspend as contribution towards future projects.

It is also proposed to make a one off contribution of £400k to reserves, from the underspend on capital Interest and Principal payments, which will be available to be drawn down in 2023-24 to fund the capital scheme for Toilets.

6.0 General Fund Capital Programme –Provisional Outturn 2022/23

- 6.1 As per annex 1, the Council's 2022/23 revised General Fund capital programme budget of £41.869m (excluding flexible use of capital receipts) was underspent by £33.101m, which was £16.559m lower spend than estimated in the 15 December 2022 Cabinet report. Actual spend for 2022/23 was £8.769m.
- 6.2 Key underspends against the revised budget include Margate Town Deal (£12.555m) Ramsgate Levelling Up Fund (£5.667m) and Margate Levelling Up Fund (£5.164m): they are multi-year projects to be re-profiled in agreement with the Department for Levelling Up, Housing and Communities (DLUHC).
- 6.3 Budget changes since the 15 December 2022 Cabinet report that require approval are listed in the Budget Monitoring Report No 1 for 2023/24.
- 6.4 Budgets remaining as at 31 March 2023 have been carried forward to 2023/24.

7.0 Housing Revenue Account (HRA)

- 7.1 The HRA has recorded a provisional deficit of £1.620m in 2022-23, which represents a £27k overspend against the budgeted deficit of £1.593m. The following narrative sets out the key variances for the HRA in 2022-23.

7.2 Income

- (i) The outturn position reflects £99k of reduced rental and service charges. This deficit was primarily due to increased voids and lower rental yield for social rented properties due to right to buy sales during the course of the year. There was also a slight under recovery against the budget in relation to service charges.
- (ii) There has been a £281k deficit as a result of not billing historical rechargeable works due to the time that has passed.

7.3 Expenditure

(i) Repairs and maintenance

There was a net overspend on R&M of a +£653k. The main driver for this overspend was the lack of a robust planned maintenance programme by East Kent Housing, resulting in an increased demand for reactive and responsive repairs as the new in house service catches up on under investment in the housing stock.

(ii) Supervision and Management general

Key variations include:

- An overspend in relation to the temporary waking watch provision +£340k,
- An underspend on pension liabilities -£166k, and
- A reduction in the use of the technical audits budget - £78.1k

(iii) Bad debt provision

A summary of the level of arrears can be seen below:

2021-22	2022-23	Change
£2,183,435.12	£2,096,233.67	-£87,201.45 (-4%)

A detailed analysis of bad debt results in the Council setting aside funds in the provision to deal with the forecast level of write offs. The required increase in the provision is £32k.

In 2022-23 the Council wrote off £165k of rent arrears considered to be uncollectible which were funded via the bad debt provision set aside in prior years.

The amount set aside in the provision in 2022-23 is -£213k less than the budget.

(iv) **Capital expenditure funded from the HRA**

An underspend of -£984k is stated as a result of a lower use of the revenue reserves/resources to finance capital expenditure, mainly due to an underspend on the Margate Intervention Scheme whilst a property is identified for purchase.

(v) **Investment Income**

An increase in interest rates saw the HRA gain investment income of -£474k against the budgeted amount.

(vi) **Debt Interest Charges**

By using our own internal cash resources to fund capital new build programmes (referred to as undertaking internal borrowing), rather than external borrowing, it realised a saving of -£440k.

(vii) **Adjustments made between accounting basis and funding basis**

An increase in the depreciation amount has meant a higher contribution to the Major Repairs Reserve was required +£25k.

(viii) Table 2 provides a summary of the outturn position on the Housing Revenue Account alongside further virements processed since Cabinet approved the revised budget in September:

Table 2 - HRA Outturn 2022-23

	2022/23 Budget	Move- ment	2022/23 Revised Budget	2022/23 Outturn	Variance
	£'000	£'000	£'000		
Income:					
Dwelling Rents	-14,025		-14,025	-13,960	65
Non-dwelling Rents	-228		-228	-248	-20
Charges for services and facilities	-615		-615	-561	54
Contributions towards expenditure	-572	-407	-979	-698	281

TOTAL INCOME	-15,440	-407	-15,847	-15,467	+380
Expenditure					
Repairs & Maintenance	4,983	303	5,286	5,939	653
Supervision & Management	5,296	295	5,591	5,740	149
Depreciation & Impairments	4,310		4,310	4,379	69
Allowance for bad or doubtful debts	245		245	32	-213
Contribution to Capital	1,300		1,300	316	-984
Non-service specific expenditure	243	9	252	244	-8
Debt Management Costs	9		9	8	-1
TOTAL EXPENDITURE	+16,386	+607	+16,993	+16,658	-335
Net Costs of Services Sub Total	+946	+200	+1,146	+1,191	45
Other Adjustments:					
Share of Members and Democratic Core	148		148	113	-35
HRA Investment Income	-75		-75	-549	-474
Debt Interest Charges	989		989	549	-440
Government Grants and Contributions	0		0	-11	-11
Adjustments, accounting /funding basis	-415	-200	-615	327	942
Deficit/ (Surplus) for HRA Services	+1,593	0	+1,593	+1,620	+27

Positive variances (+): overspends or underachievement of income

Negative variances(-): underspends or surplus income

*The majority of these variances are caused by accounting entries that are reversed out within Adjustments made between accounting basis and funding basis

7.4 The virements for quarter 4 consist of:

£325k grant from Kent County Council for the Household Support Fund which was used to support vulnerable households meet daily needs such as food, clothing, and utilities.

£4.56k Section 106 contribution to fund playground works.

£2k grant from DWP to fund a kickstart placement.

£75k rechargeable repair recoveries vired to the cover costs of associated works.

£200k drawdown from revenue repairs reserve previously set aside for external decorations.

8.0 Housing Revenue Account Capital Programme – Outturn 2022-23

- 8.1 There is an £4.017m (49.35%) underspend on the HRA Capital Programme against an approved budget of £8.139m. £1.186m relates to Council Dwelling Major works and disabled adaptations and £2.831m in relation to Council dwelling purchase/replenishment schemes.
- 8.2 There was a -£254k underspend in relation to kitchens and bathrooms as a result of our contractor going into administration and the work programme being unable to be completed in the year.
- 8.3 The heating programme was underspent by -£176k as a result of the boiler programme being completed and now replacements only happen at end of life. We are also considering if boilers are the best heating system to install for the future as a result of the need to reduce carbon emissions.
- 8.4 Tower block works are underspent -£169k in the year due to minor slippage on the programme.
- 8.5 The structural repairs budget saw a -£191.6k underspend as a result of the complexities of some of our buildings that require extensive building requirements i.e. listed, english heritage statements, planning and building consent.
- 8.6 Estate improvements were underspent by -£192.3k as a result of not being able to procure the earmarked budget for emergency structural works at 2 properties quickly enough, this includes the structural engineer to draft the specification.
- 8.7 The Margate intervention scheme underspend -£1.832k as a result of a lack of suitable development sites within the intervention area. Currently the team are continuing to search for appropriate sites and hope to bring forward additional redevelopment schemes within 2023-24.
- 8.7 The acquisitions programme for Ramsgate commenced in 2022-23 but due to a lack of suitable sites -£260k remains unspent and will carry forward to 2022-23.

Contact Officer: Matthew Sanham (Head of Finance, Procurement and Risk)

Reporting to: Chris Blundell (Director of Corporate Services - Section 151)

Annex List

Annex 1 - GF Capital Programme 2022/23

Background Papers

Title - Budget monitoring papers held in Financial Services

Corporate Consultation

Finance: N/A

Legal: Sameera Khan (Interim Head of Legal & Monitoring Officer)