

FINANCIAL RESULTS 2021/22 - TO THE END OF JANUARY 2022

Finance and Investment Advisory Committee - 24 March 2022

Report of: Deputy Chief Executive and Chief Officer - Finance & Trading

Status: For Consideration

Also considered by: Cabinet - 21 April 2022

Key Decision: No

This report supports the Key Aim of: Effective Management of Council Resources

Portfolio Holder: Cllr. Matthew Dickins

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Recommendation to Finance and Investment Advisory Committee:

That the report be noted, and any comments forwarded to Cabinet.

Recommendation to Cabinet:

Cabinet considers any comments from Finance and Investment Advisory Committee and notes the report.

Reason for recommendation:

Sound financial governance of the Council.

Introduction and Background

- 1 The year-end position at the end of January 22 was forecast to be an unfavourable variance of £6,000 against a net revenue budget of £17.015m.
- 2 During September 2020 the Government issued the first COVID-19 Sales, Fees and Charges Compensation Scheme as part of the Governments COVID-19 support. The scheme was due to be limited to 2020/21 but was extended to the first quarter for 2021/22. The claim for the first quarter of 2021/22 has been submitted for £381,000.

Year to Date - Areas of Note

- 3 The financial impact of pay costs - the expenditure forecasts on staff costs is £199,000 below budget. There are currently vacancies within Direct Services, Housing, Contact Centre, Transformation & Strategy and Revenue & Benefits and Planning Services. However, some of these, in particular Direct Services are currently being filled by agency staff. The impact of salary variances are included within the Chief Officer commentaries.
- 4 The 2021/22 pay award has just been agreed at 1.75% and therefore a saving, approx. £42,000 will be realised in the outturn as the budget assumption was 2%.
- 5 Income - the Council receives a number of different income streams to help balance the budget; section 8 of the monitoring pack provides details in relation to the main streams. At the end of January, income as detailed within the report is still below budget in some areas such as Car Parks, Taxi Licensing and Land Charges but other areas such as Car Parking - On Street ,Planning - Development Management and Building Control are ahead of budget.
- 6 Investment Returns - the return to date on the treasury management investments held by the Council is lower than budget with interest received totalling £25,000 compared to a budget of £164,000 for the year to date. This is due to a number of factors. Firstly, the current interest rate on investments remains very low, secondly the available cash which we can invest is greatly reduced from previous years due to the funding of the capital programme, Quercus 7 acquisitions and also COVID-19. The interest from Quercus 7 is due to be in excess of £275,000 this year. In order to increase future investment returns the Council is currently going through the selection process in order to invest in Multi-Asset Investment Funds.
- 7 Retained Business Rates - Income of £2.182m forms part of the 2021/22 budget; any receipts over and above this amount, including those that result from being a beneficiary of the Kent Business Rates Pool, will be transferred to the Budget Stabilisation Reserve. The additional rates we expect to receive from the business rates pool is forecast to be £285,000. Regular monitoring takes place, with any amendments feeding into the outturn forecasts.

Year End Forecast

- 8 The year-end forecast position is an unfavourable variance of £6,000 (including the Covid-19 Sales, Fees and Charges Compensation Scheme) . In paragraphs 9 to 16 there are details of the larger variances, both favourable and unfavourable.

Net Service Expenditure - Larger Favourable Variances

- 9 Within Miscellaneous Finance, the forecasted favourable variance of £715,000 is the first quarter claim for the Covid-19 Sales, Fees and Charges Compensation Scheme and the general COVID Grant is offsetting additional costs incurred in other areas.

- 10 Within Benefits Admin, New Burdens grant was received that was not known at the time the budget was set and this is leading to a favourable variance of £214,000. Any surplus may be transferred to reserves at the year end.
- 11 Corporate Management are forecasting a favourable variance of £76,000 following a salary budget re-alignment and lower spend on bought in services.
- 12 Members allowances are forecasting a favourable variance of £45,000 due to changes in roles as only one Special Responsibility Allowance is payable. Also reduced expenditure on travel and training.
- 13 Building Control and Development Management are both showing favourable variances, £31,000 and £52,000 respectively due to an increased number of applications and associated income.

Net Service Expenditure - Larger Unfavourable Variances

- 14 Homeless is forecasting an adverse variance of £300,000 which is the additional cost being incurred relating to an increased number of people being put in temporary accommodation and the cost of that accommodation versus the recovery from Government . The homelessness funding is currently being reviewed in order to assess the impact in future years.
- 15 Local Tax is forecasting an unfavourable variance of £146,000 due to enforcement income being lower than budget expectations. In addition, the levels of fee recovery are low as a result of COVID-19.
- 16 Direct Services are forecasting an unfavourable variance of £600,000 due to the additional cost of agency staff due to COVID-19 and now to cover delayed staff leave. The underachievement of income on trade waste as businesses recover from COVID-19, the requirement to hire vehicles where existing vehicles are being repaired and the cost of repairing vehicles as wear and tear levels have dramatically risen due to the increased refuse loads.
- 17 Planning Appeals are forecasting an unfavourable variance £43,000 due to incurring legal fees in connection to planning appeals.

Other Variances

- 18 Interest Receipts - current levels of investment returns and possible rates going forward, along with reduced cash levels due to ongoing loss of income, have resulted in an unfavourable variance of £163,000 being forecast.
- 19 Investment Property Income - The majority of properties held within the Property Investment Strategy continue to achieve the income levels predicted but there is a favourable variance of £49,000 due to loss of income offset by additional loan interest from Quercus 7.

Future Issues and Risk Areas

20 Chief Officers have considered the future issues and risk areas for their services and the impacts these may have on the Council's finances as follows:

- COVID-19 continues to affect the entire authority and is being closely monitored. As part of the 10-year budget process the expected financial impacts will continue to be reviewed.
- Ongoing impact of COVID-19 on the leisure industry and Council owned leisure facilities.
- There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts.
- Within many services including Development & Conservation, recruiting to vacant posts continues to be difficult.
- The financial impact of proposed changes to the Planning System will need to be carefully considered.
- Car parking customer numbers are increasing but it is uncertain what the impact will be for the rest of the year. Note that the car parking income budget was reduced by 25% in 2021/22.
- Ongoing Temporary Accommodation (TA) costs within the district due to increases in homelessness. All Covid-19 placements ended on 30 June 2021 and a TA Charging Policy came into effect from 1 August.
- IT Asset Maintenance spend as per 10-year plan resulting in draw down from reserves in current year.

Key Implications

Financial

The financial implications are set out elsewhere in this report.

Legal Implications and Risk Assessment Statement

Under Section 151 of the Local Government Act 1972, the Section 151 officer has statutory duties in relation to the financial administration and stewardship of the authority.

Detailed budget monitoring is completed on a monthly basis where all variances are explained. Future risk items are also identified.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

Appendices

Appendix A - January 2022 Budget Monitoring Commentary

Appendix B - January 2022 Financial Information

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading